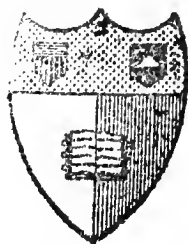


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REPORT

OF THE

Secretary of Finance of the United States of Mexico

OF THE 15TH OF JANUARY, 1879,

ON THE ACTUAL CONDITION OF MEXICO, AND THE INCREASE OF COMMERCE
WITH THE UNITED STATES,

RECTIFYING THE REPORT OF THE HON. JOHN W. FOSTER,
ENVOY EXTRAORDINARY AND MINISTER PLENIPOTENTIARY OF THE UNITED STATES IN MEXICO,

THE 9TH OF OCTOBER, 1878.

TO MR. CARLISLE MASON,

PRESIDENT OF THE MANUFACTURERS' ASSOCIATION OF THE
CITY OF CHICAGO, IN THE STATE OF ILLINOIS, OF THE UNITED STATES OF AMERICA.



N. PONCE DE LEON, PUBLISHER AND PRINTER, 40 & 42 BROADWAY, NEW YORK.

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DEPARTMENT OF STATE

FOR THE

FINANCES AND PUBLIC CREDIT.

SECTION 3RD—FIRST BUREAU. No. 2,640.

1. With your communication of the 4th instant, there has been received at this office a translation of the Report dated October 9th, 1878, which the Hon. John W. Foster, Envoy Extraordinary and Minister Plenipotentiary of the United States to the Government of Mexico, directed to Mr. Carlile Mason, President of the Manufacturers' Association of the Northwest, at Chicago, State of Illinois, which document you were pleased to remit to me, in order that this office should make the rectifications it may judge proper and which the document demands, containing as it does various points touching upon matters pertaining to this office.

The President has informed himself of the forementioned Report with all the attention its importance requires, and at his direction, I proceed to make the observations which have been esteemed necessary.

2. The Manufacturers' Association of the Northwest, of the United States, gave a reception in Chicago to the Representative of Mexico at Washington, with the object of obtaining information, and of discussing the most suitable means of developing the commercial relations between the two republics. The Representative of the United States in Mexico, was invited to that reception, and was asked to furnish the Association with such information as he had been able to acquire during his residence in that country. This invitation was the origin of the said Report.

3. The Representative of the United States in Mexico commences his Report by stating that the increase of commercial relations between the two republics is a subject in which he is profoundly interested, and to which he has devoted much study and meditation; that when he came to Mexico he was strongly impressed with the idea of obtaining a great increase of commerce between the two countries; that on proper occasions, both in the United States and in Mexico, he has manifested his hopes on this point, and that he still cherishes the same ardent desire that that object might be realized, as he considers it the most powerful and beneficent means of preserving peace on the frontier; of furthering and establishing political and social friendship between Mexico and the United States, and of helping both nations to mutually maintain Republican institutions.

He then declares, that while the Representative of Mexico at Washington has become more and more persuaded of the possibility of enlarging the commerce between the two countries, he, on the contrary, has become constantly impressed with the obstacles which present themselves to its realization, and the embarrassments which may supervene. He calls himself a colaborer in the great undertaking of promoting the development of commercial relations between the two countries, but he avers, that, at the requisition of his fellow-citizens, he considers it his duty to speak frankly and to conceal nothing of what is passing, although this may be disagreeable to some. He declares that, although the Representative of Mexico at Washington may cherish flattering hopes of a prosperous commerce, he, for his own part, must attend to representing the difficulties, stumbling-blocks, and dangers which present themselves against it; that he does not expect a flattering future, and that it is as just, as it is important, to inform the manufacturers of Chicago of everything that may be adverse as well as favorable to the desired end. He clearly declares, then, on commencing the Report, that his principal object is to speak of the difficulties, stumbling-blocks and dangers which commerce in Mexico presents, and following this proposal everything which is favorable to this enterprise has been almost totally omitted.

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1. Receipt of the report of Mr. Foster to the Manufacturers' Association of Chicago, of October 9th, 1878.
 2. Invitation of the Manufacturers of the Northwest; the origin of the Report.
 3. The Report is framed, principally, to present the difficulties and dangers in the way of the development of commerce.

4. This brief exhibit shows at once that unfortunately the ideas of the Representative of the United States in Mexico, in respect to the increase of commerce between the two countries, have undergone an unfavorable change within a short time past, as appears by comparing his opinion expressed on former occasions, and principally in his speech delivered before the Chamber of Commerce of New Orleans, on November 19th, 1875, with the conceptions contained in his Report of November 9th, 1878, to the Manufacturers' Association of the Northwest, of the United States.

5. This change is lamentable, indeed, as it occurs in a high public functionary, whose ideas and efficacious co-operation would contribute in a great degree to the realization of so important an object. It is to be feared that the difficulties which, through divers motives, have been presented to the realization of his desires, may have worked a reaction in his mind which makes him exaggerate these difficulties to himself, and to imagine it to be a more difficult enterprise to increase the commerce between the two countries than it really is. It is also to be believed, that being profoundly impressed with these difficulties, he has determined to clearly manifest all the stumbling-blocks and dangers which his fellow-citizens, needing information on a point so directly affecting them, might encounter, and being influenced by the greatest good faith and honest intention, he has emphasized those inconveniences in order to be forever free from the blame which might attach to him if he did not make them patent in all their magnitude.

6. While the Report contains many exact data and estimates worthy of attention, it is unfortunately marred by conceptions and deductions which are entirely without foundation, and which, emanating from no less a source than an official Representative of the United States, a person of extensive information, great sagacity, recognized tact, and large experience in the affairs of Mexico, from having resided in this country nearly six years, it cannot but produce, and with good reason, a deep impression on the people of the United States.

7. If to these circumstances is added the fact that the Report of the Hon. Mr. Foster has been accepted by the Government of the United States, upon its being made public, the impression which it must have caused in that country against the increase of commerce with Mexico will be easily understood.

8. As a practical result of the said Report, however different may have been the intention of its author, it cannot but discourage any efforts that may be made to augment the commerce between Mexico and the United States; and as Mexico needs this commerce, the Government of this Republic believes it opportune to make some rectifications in the mentioned Report; presenting the situation of the country, such as it is, without concealing its drawbacks, nor exaggerating its advantages.

9. Taking into consideration that the mentioned Report is an official document of the Government of the United States, which must be supposed to be greatly interested in the development of its own commerce with the Mexican nation, and disposed, therefore, to favor everything which tends to produce that result, and that the said Report is destined to circulate all over the civilized world, it is the duty of the Government of Mexico to vindicate the country, clearing away the dark coloring under which the Report in question presents it. According to the Report it would be inferred that Mexico, being a country which neither consumes nor produces but very little; which has no ways of communication, nor can have them; which guarantees neither life nor property, and which at heart resists all improvement and all progress, it ought to be abandoned by civilized nations, as an unfruitful land, in which nothing can be reaped, but where everything that is invested in it is lost producing naturally in the mind of the impartial reader the impression that Mexico is almost outside of the pale of civilization. This consideration makes it not only a right, but the duty of the Government of Mexico, to present the question such as it is *per se*, in order that the intelligent and impartial opinion of the civilized world may not be led astray, but be able to pass judgment with a full knowledge of the truth.

10. The Hon. Mr. Foster divides his Report in three parts; the first treats of the means of communication which exist for commerce with Mexico, and the possibility of improving them; the second, of the tariff and laws in reference to commerce, and the third, of the security and protection which are granted in this country to life and property. The same order will be followed in this rectification.

4. Contrast between the Report and the speech of Mr. Foster delivered in New Orleans, November 19th, 1878.

5. Appreciation of the causes which may have made this change.

6. The Report contains exact conceptions and well founded estimates, and at the same time inexact data and erroneous deductions.

7. The Report has been accepted by the Government of the United States, upon its being made public.

8. The Mexican Government desiring to enlarge its North American commerce believes it opportune to rectify the Report.

9. The Mexican Government believes itself under the obligation to defend the nation against the estimates which are made of it in the Report.

10. This rectification will follow the order of the Report, treating separately of the three parts in which it is divided.

PART FIRST.

LINES OF COMMUNICATION ESTABLISHED IN MEXICO FOR FOREIGN COMMERCE.

11. In the Report it is stated there are now established between Mexico and the United States four lines of steamers, one running twice per month, between New York and Vera Cruz, and touching at other intermediate ports ; another between New Orleans and Vera Cruz, making its trips every twenty days, and also touching at intermediate ports ; and two lines on the Pacific, one sailing from San Francisco twice per month, touching at Acapulco, and once per month at other ports of the Pacific, and the other, sailing every thirty-five days, for Mazatlan and the ports in the Gulf of California. He states that these lines are subsidized by the Mexican Government, and it is indicated that they are altogether insufficient to develop a great trade between the two countries, stating that this can only be attained by the construction of a railroad that shall put Mexico in communication with the railway system of the United States ; although in the same Report it is left to be understood that the building of this railroad would be impossible, because it would offer no returns at all to the capital that might be invested in its construction.

12. Some of these conceptions are correct, others are erroneous or exaggerated, and the consequences which are deduced from them are the less admissible, inasmuch as in the Report no mention is made of facts and incidents which are indispensably necessary to appreciate and properly judge of the actual situation of Mexico. In order to discuss with sufficient clearness the two points comprised in this part of the Report, that regarding the lines of Steamers, and that which refers to Railroads, it is best to speak of each one separately.

I. LINES OF STEAMERS TOUCHING AT MEXICAN PORTS.

13. It is necessary to give a brief account of the manner in which the different lines of steamers which now touch in Mexican ports were established, those subsidized as well as those that are not, in order to be able to appreciate the actual situation of the exterior commerce of Mexico, especially in its relation to the United States, both in the Gulf of Mexico, and in the Pacific Ocean.

14. With this object we will speak here of the following subjects :

1. Establishment of lines of steamers not subsidized in Mexican ports of the Gulf of Mexico.
2. Lines of North American steamers plying in the Gulf of Mexico subsidized by the Mexican Government.
3. Commerce of Mexico on the Pacific.
4. Lines of North American steamers on the Pacific subsidized by the Mexican Government.
5. Summary of subsidies paid by Mexico to lines of North American steamers on both seas.
6. The Government of the United States does not subsidize lines of North American steamers which trade with Mexico.
7. Development of trade between Mexico and the United States by means of these steamers.
8. Contracts entered into by Mexico with line of steamers not American.
9. Summary of facts in reference to subsidized steamers touching at Mexican ports.

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11. The Report declares that the lines of Steamers are insufficient, and that an international railroad is needed.
 12. The communications by Steamer and by railway will be spoken of separately, in order to rectify some conceptions.
 13. Propriety of showing how lines of Steamers have been established in Mexico.
 14. Nine points will be spoken of in treating of the lines of Steamers.

I. ESTABLISHMENT OF LINES OF STEAMERS NOT SUBSIDIZED IN MEXICAN PORTS OF THE GULF OF MEXICO.

15. During the Spanish rule there was no other port in New Spain, on the Gulf of Mexico, authorized to trade with the Metropolis but that of Vera Cruz; for trade was not permitted with any other nation. The port of Acapulco, on the Pacific Ocean, was also empowered to trade, in terms which will be spoken of hereafter. Upon the consummation of Independence, various other ports on both seas were opened to the commerce of all nations.

A. The English Royal Mail Line.

16. The establishment of communication with Europe by packet vessels departing regularly from trans-Atlantic ports and from ours, dates from the earliest years of our Independence. The West India Company, of Elberfeld, in Prussia, was the one which from the year 1822 began to dispatch periodically certain vessels which sailed from English ports, bound for Vera Cruz. Those vessels were thoroughly well armed to defend themselves from the Columbian Corsairs, which, lying in wait at the Island of Kankun, obstructed the entrance to the Gulf of Mexico, under the pretext of making war on the trade of Cuba and Spanish vessels. One of these vessels, the frigate "Rawlins," acquired celebrity for having conducted the Emperor Agustin de Iturbide, when he sailed as an exile for Liorna.

17. In 1824 the increase of trade with the countries emancipated from the Spanish dominion, and the necessity for providing for the transportation of silver obtained from sales of merchandise, with the greatest possible security, causing the English Government to give orders that on the 15th of every month a vessel of the Royal Marine should sail from Falmouth, bound for Honduras, Jamaica, and Vera Cruz. Those vessels anchored in the Port of Vera Cruz, near the Island of Sacrificios or at the "Punta de Anton Lizardo," where a small town had grown up called Morelia. They landed the passengers and correspondence they brought, and weighed anchor for Tampico, where they generally received the silver coming from the interior of the Republic; afterwards they returned to Vera Cruz, to take in the mail and passengers and set sail for England.

18. In the year 1841, the first steam vessels of the Royal English mail began to ply, although with some irregularity. They sailed from Southampton, touched at Madeira, the Antilles, Jamaica and Habana, and then at Vera Cruz and Tampico, and made the return voyage to England, touching again at Vera Cruz and Habana, and then at Nassau and the Bermudas; and thence to Southampton.

19. The first steam vessel crossed the Atlantic in 1838, and it is worthy of attention, that within three years after, the English had already established steam communication with Mexico. In fact, in the Records of Foreign Relations under date of Jan. 16th, 1841, there is found the following on this matter: "The English Government has arranged, by means of considerable pecuniary sacrifices, the establishment of communication by steam vessels, which will commence to take effect within the present year."

20. Although these vessels brought no merchandise, but were only dedicated to the transportation of passengers and the mail, and to the exportation of some articles of great value and little weight, such as silver, cochineal and indigo, this line, notwithstanding, afforded great advantages for trade, by the facility and regularity of its communications, and this was one of the motives through the influence of which the trade of Mexico remained for many years almost monopolized by Great Britain. This line continues touching in said ports, with perfect regularity, and without any subsidy.

21. This diligence of the English to establish commercial relations with Mexico, by virtue of which a line of steamers has been established between the two countries since 1841, presents a marked contrast to the conduct of our neighbors, for until the year 1850 no steam communication was established between the ports of the United States and Mexico, and this did not become regular until 1868, through the subsidy of the Government of Mexico.

B. First line of Steamers from New Orleans to Vera Cruz.

22. In the year 1850 the first line of steamers was established between New Orleans and Vera Cruz; served first by the "Alabama," next by the "Orizaba," and then by the "Tennessee," the principal object of

15. Upon the consummation of independence, other ports were opened to foreign commerce beside Vera Cruz and Acapulco.

16. Since the earliest years of independence there has been communication with Europe by means of packet vessels.

17. In 1824 the English Government arranged for the departure of one of its naval vessels from Falmouth to Vera Cruz on the 15th of every month.

18. In 1841 steam vessels of the Royal English Mail first came to Mexico.

19. The first steam vessel crossed the Atlantic in 1838. Three years after they came to Mexico.

20. The English vessels served for the transportation of passengers and the mails.

21. Contrast between the efforts of England and those of the United States, to establish communication with Mexico.

22. The first line of Steamers between New Orleans and Vera Cruz was established in 1850, without a subsidy.

which was the transportation of cotton harvested in the Southern States, and destined for the factories of cotton cloth established in Mexico. This line did not succeed in obtaining any subsidy from the Mexican Government, neither did it, it is believed, obtain any from the United States. Its business must have been of some importance, being sustained without any subsidy, concession or exemption. By means of that line the trade between the two countries was already beginning to be developed when it was suspended, principally on account of the civil war which broke out in the United States.

C. Line of Steamers from New Orleans to Minatitlan.

23. By virtue of the concession which was made by the Government of Mexico, in favor of the Company called "Louisiana of Tehuantepec," for the construction of a road through the Isthmus of Tehuantepec, this Company opened a wagon-road from Suchil to Ventosa, and in 1858 established a line of passenger steamers plying from New Orleans to Minatitlan; there the passengers were transferred to a steamer which ascended the river Coatzacoalcas as far as Suchil, where they took the stage-coach to Ventosa, and from thence continued by steamer to San Francisco. This line lasted hardly six months.

D. Line of Spanish Steamers.

24. Before the French Intervention, a line of Spanish steamers, of the house of Messrs. Lopez & Company, doing service between Spain and the Island of Cuba, touched at Vera Cruz and Sisal. Its voyages were suspended in 1869, on account of the importations of wax and tobacco having diminished, by reason of the national production of both articles, and although it touched in Mexican Ports, it did not enjoy any subsidy from the Government of the Republic. An endeavor is now being made to re-establish this line.

E. General Transatlantic Line of St. Nazaire.

25. In the year 1864 and during the French Intervention, with the view of enlarging French commerce with Mexico, the general trans-Atlantic line of French steamers of St. Nazaire, subsidized by the French Government, was extended to Vera Cruz. This line has contributed somewhat to the development of commerce with France, and its results must have been of some importance, when it was not suspended after the retreat of the French troops from Mexico, and notwithstanding that all official relations between France and Mexico were then cut off, and still remain so; and that the conduct of the French Government during the Intervention had greatly exasperated the public mind of this country against that Power. The French line, in spite of not being subsidized on the part of Mexico, continues touching monthly at the port of Vera Cruz, and its vessels always arrive with valuable cargoes.

F. Lines of Steamers from Liverpool.

26. The importance of the commerce that Mexico carries on with England is proved by the establishment of two other lines of steamers which start from Liverpool, and touch at Vera Cruz, Progreso, and Tampico; one of them is called the West Indian and Mexico Line, and the other the West Indian and Pacific Steamship Company—Limited. The first began to touch at Vera Cruz on the 16th Oct., 1863. Neither are these lines subsidized by the Government of Mexico, and notwithstanding, they still subsist, and the trade they carry on is considerable, coming always loaded abundantly with merchandise.

27. From this cursory history, it appears that Mexico is in communication with Europe, by means of four lines of European steamers, three English and one French, which touch in its ports of the Gulf, subsidized by their own Governments, or sustained by the profits of their trade; but without the Mexican Government giving them any subsidy. This fact is in strong contrast with the conduct followed by the Government of Mexico in regard to the American lines, for those which now exist have been asked for by this same Government, and are touching in Mexican ports by means of the subsidy and other concessions which have been made to it by this country, and which have been on the increase every day.

23. Line of Steamers from New Orleans to Minatitlan, and from Ventosa to San Francisco.

24. A line of Spanish Steamers was established before the French Intervention, and while it touched in Mexican ports, it had no subsidy.

25. In 1864 the line of French Steamers was extended to Vera Cruz, and is now plying to this port without a subsidy.

26. Lines of Steamers from Liverpool, touching at Vera Cruz, without being subsidized by Mexico.

27. Summary of facts deduced from the preceding data.

2. LINES OF NORTH AMERICAN STEAMERS TOUCHING IN THE GULF OF MEXICO, SUBSIDIZED BY THE MEXICAN GOVERNMENT.

28. There are five lines of North American steamers subsidized by the Government of Mexico, now coming to Mexican ports on both seas, two of which touch in ports of the Gulf, and three in those of the Pacific. We will speak separately of those which touch in each sea, beginning with those of the Gulf.

A. Line of Steamers from New York to Vera Cruz.

29. Before steam communication was established between New York and Vera Cruz, there was a line of sailing packets, despatched with great regularity by the house of Messrs. Hargous & Company. This line was already running in the year 1844.

30. The sailing vessels not being sufficient to develop the trade between the two ports, the Government of Mexico granted, on the 24th of December, 1867, a subsidy of \$2,200 for the term of two years, to the line of Messrs. Alexandre & Sons of New York, for every round voyage of twenty days, which should be made between Vera Cruz and New York, touching on their outward and inward trips at the Ports of Sisal and Habana; this Company was exempted from all taxes upon the steamers and sailing vessels it should employ in the transportation of coal, having to pay only the dues of the pilot whenever they employed him. It was also granted them the right to export free of duty the amount they should receive as subsidy.

31. By this contract the Government of Mexico gave to the Company of Messrs. Alexandre & Sons of New York the following sums per year:

For subsidy on 18 voyages at \$2,200 each.....	\$39,600 00	
For exemption of export duties on \$39,600 hard dollars at 8 per cent., which silver was paying at that time.....	3,160 00	
For exemption from light-house dues, and inward and outward ports—dues for 18 voyages, at \$200.....	3,600 00	6,768 00
		<u>\$46,368 00</u>

32. The term of the contract having expired in 1870, it was renewed on the 30th of May of the same year, for two years more, with the same conditions, and was renewed the second time on the 20th of December, 1870, without any modifications. At the expiration of the last term it was again renewed on the 19th of December, 1873, fixing four years as the duration of the new contract, augmenting the subsidy to \$2,500 for each round trip, and making it obligatory on the company that its steamers should touch at Campeche on their return. Upon the expiration of this last term, a new contract was entered into with the same company on the 18th of January, 1878, increasing the subsidy to \$2,700, and obliging its steamers to touch at Frontera. Instead of a voyage every twenty days, it should be made every two weeks.

33. The annual sums which the company receives from the Government of Mexico, by virtue of this new contract, are therefore as follows:

For subsidy on 26 voyages at \$2,700 each.....	\$70,200 00	
For exemption of export duty at 5 per cent. on \$70,200.....	3,518 00	
For the exemption of light-house dues on 26 voyages, at \$200.....	5,200 00	8,710 00
		<u>\$78,910 00</u>

B. Lines of Steamers from New Orleans to Vera Cruz.

34. The line from New York not being sufficient to meet the needs of the growing trade between Mexico and the United States, the Government of Mexico entered into a contract with the same house of Messrs. Alexandre & Sons of New York, on 26th of March, 1873, to establish a line of steamers between New Orleans and Vera Cruz, which should make its trips every two weeks, touching, in going and coming, at the Mexican

28. The lines of American Steamers subsidized by Mexico, on the Gulf and on the Pacific, will be spoken of separately.

29. Line of sailing packets between New York and Vera Cruz of Messrs Hargous & Co.

30. First contract of December 24th, 1867, for the establishment of a line from New York to Vera Cruz.

31. The annual subsidy of this line amounts to \$46,368.

32. The foregoing contract has been renewed four times, with increase of subsidy.

33. The subsidy which is paid to the New York line amounts to \$78,910 per year.

34. First contract entered into on 26th of March, 1873, to establish a line of Steamers between New Orleans and Vera Cruz.

ports of Tuxpam and Tampico. The contract was for two years, and the Government of Mexico agree to pay a subsidy of \$1,800 for every round voyage, conceding to this line the same exemptions granted to that from New York.

35. By this contract the Government of Mexico gave to the Company of Messrs. Alexandre & Sons the following annual subsidy:

For subsidy on 24 voyages at \$1,800.....	\$43,200 00	
For exemption of export duty of 5 per cent. on \$43,200.....	2,160 00	
For exemption of light-house duty on 24 voyages, at \$200.....	4,800 00	6,960 00
		<u>\$50,160 00</u>

36. At the expiration of this contract it was renewed on the 18th of January, 1878, for four years, increasing the subsidy to \$2,000 for each round voyage of three weeks, obliging the steamers, in addition to the ports named in the anterior contract, to touch at Matamoras or Bagdad.

37. By virtue of this contract, the New Orleans line receives annually from the Mexican Government the following sums:

For subsidy on 17 voyages @ \$2,000 for each round voyage.....	\$34,000 00	
For exemption of 5 per cent. export duty on \$34,000.....	1,700 00	
For exemption of light-house duties on 17 voyages @ \$200, entry and exit... ..	3,400 00	5,100 00
		<u>\$39,100 00</u>

C. Summary of Subsidies Contracted with North American Lines on the Gulf of Mexico.

38. The lines of American steamers established on the Gulf receive, therefore, at the present time, from the Government of Mexico, the following subsidy:

The New York line, per year.....	\$78,910 00	
The New Orleans line, per year.....	39,100 00	
Total.....		<u>\$118,010 00</u>

39. Notwithstanding that the Report has so pointedly represented a lack of funds in the Mexican treasury; notwithstanding the fear and almost certainty which it expresses that Mexico cannot pay the subsidies it agrees to, and notwithstanding that in various cases the said lines of steamers have neglected to fulfil the stipulations of their respective contracts, the subsidies have been punctually paid them and nothing is owing them therefor.

3. Commerce of Mexico on the Pacific Ocean.

40. Hardly any mention is made in the Report of the lines of steamers established on the Pacific, subsidized by the Mexican Government. Justice would not be done to the Mexican Nation, nor to the cause of developing the commerce between Mexico and the United States, if the efforts made by Mexico to establish and develop its commerce on the Pacific Ocean were not to be taken into consideration.

41. During the Spanish rule the port of Acapulco was the only authorized port on the Pacific Ocean for trade with Asia and the Spanish Colonies of South America. When merchandise came from Spain, destined for these Colonies, it passed through Vera Cruz or else through Panama, directed to Peru and Chile. Before Acapulco was a port of departure for the galleons to the Phillipine Islands, the port of Navidad was thus used. In 1602, Acapulco began to be used for this purpose, and in the last years of the Spanish rule San Blas was their port.

42. The exterior commerce of Mexico by the Pacific has always been of less importance than that of the Gulf, and this has prevented the establishing of lines of steamers in those ports without subsidy. That trade has been until recently almost monopolized by German and English sailing vessels.

35. Mexico pays annually to this line, according to said contract, \$50,160.

36. Continuation of this contract on the 18th of January, 1878, for four years.

37. By virtue of this new contract, \$39,100 is paid annually to the New Orleans line of Steamers.

38. The subsidies paid to American lines on the Gulf of Mexico are upwards of \$118,010 per annum.

39. The subsidies agreed upon have been paid, notwithstanding the represented paucity in the Mexican Treasury.

40. Efforts of Mexico to establish communication with the United States by the Pacific Ocean.

41. Authorized ports on the Pacific during Spanish rule.

42. The foreign commerce of Mexico on the Pacific has not permitted the establishment of lines of Steamers with subsidy.

43. After the acquisition of California by the United States, and under the impossibility of communication by land between it and the Atlantic States, lines of vessels doubling Cape Horn were established first, and afterwards the Panama Railroad was built to shorten navigation, and make it possible by steamer, with transfer over the Isthmus. The distance from Panama to San Francisco, which is about twenty days' voyage, was too long for a freight and passenger steamer to carry sufficient coal for the voyage. It was therefore necessary to stop at some intermediate point. Acapulco, which is midway between Panama and San Francisco, was chosen. The Mexican Government granted the Pacific Mail Steamship Company all the exemptions necessary for them to carry on their way trade in Acapulco, notwithstanding the provisions of the Mexican laws then extant against it. In 1854 the steamers of this line began to touch at Manzanillo, a port about twenty hours' voyage from Acapulco.

44. The Panama Railroad Company, wishing to promote trade with the neighboring countries, so as to increase the business of their road, they established a line of small steamers plying to some of the ports of Central America. The trade with these ports grew extraordinarily in a few years, and Punta Arenas, Amapala, San Jose, Champerico and other ports, which in 1850 exported almost nothing, have now a large exportation, which does not compare unfavorably with that of more important mercantile nations, bearing in mind the population of the States to which these ports belong, and there are iron piers now in all of them.

45. As has already been stated, there was established, although only for about six months, a line of steamers from Ventosa to San Francisco, in connection with that from New Orleans to Minatitlan, for the transportation of passengers and mails from New Orleans to San Francisco, thus opening a shorter route than by the way of Panama.

4. *Lines of North American Steamers on the Pacific, Subsidized by the Mexican Government.*

46. There are three lines of North American steamers touching at Mexican ports on the Pacific, and subsidized by the Government of this country: that of the Pacific Mail steamers, that of the California and Mexico steamers, and that of the Fast Navigation steamers on the Gulf of California. Subsidy contracts have also been entered into with other lines of steamers, which, although now discontinued, will be spoken of in their proper place.

47. The Government ruling the affairs of Mexico in 1871, wishing to extend to the Mexican coasts of the Pacific the advantages of the trade which had sprung up in Central America by means of the steamers of the Panama Railroad Company, a formal application was made to this Company, as well as to the Pacific Mail Steamship Company, to extend their lines to Mexican ports, offering them a liberal subsidy therefor, and such other concessions as should be necessary. In virtue of this, the Panama Railroad Company entered into a contract, on the 22d of February, 1872, agreeing that its steamers should touch at the Mexican ports of Soconusco, Tonalá, Salina Cruz, Puerto Angel and Acapulco, belonging to the States of Chiapas, Oaxaca and Guerrero, all on the Pacific shore; the Mexican Government granted a subsidy of \$2,500 for each round voyage; five years was the term of the contract, and the Company was exempted besides from export duty, light-house dues, &c., the same as the New York and New Orleans lines.

48. The annual subsidy granted to the steamers of the Panama Railroad Company was as follows:

For subsidy on 12 voyages, at \$2,500 each.....	\$30,000 00
For exemption from export duty on \$30,000, at 5 per cent., according to the law of May 30th, 1872.....	1,500 00
	<hr/> \$31,500 00

B. *Line of Pacific Mail Steamers.*

49. On the 31st of March, 1872, a contract was concluded with the Pacific Mail Steamship Line, for the establishing of a line of steamers which should make regular trips between Panama and San Francisco, touching, in going and coming, at the ports of Acapulco, Mazatlan, Manzanillo, Cape San Lucas, and at others that should

43. Grants made by Mexico to the first line of Steamers from Panama to San Francisco.

41. The Panama Railroad Company established a line of Steamers to Central American ports.

45. In the year 1858 a line of Steamers was established from Ventosa to San Francisco.

46. Lines of steamers subsidized, on the Pacific, that of Panama, of the Colorado River, and of the Gulf of California.

47. Mexico contracted, in 1872, for the Steamers of the Panama Company to touch at Mexican ports of the Pacific.

48. The annual subsidy granted that Company was \$31,500, according to the contract of January 22d, 1872.

49. Contract of March 31st, 1872, for Steamers of the Pacific line to touch at Mexican ports.

be to the interest of the Company; the contract was for the term of two years, and \$2,000 subsidy was given the Company for each round voyage, granting them also the exemptions from duties comprised in the before-mentioned contracts.

50. The subsidy granted by the Mexican Government to the Pacific Mail Steamship line was as follows :

For subsidy on 12 voyages @ \$2,000.....	\$24,000 00
For exemption from export duty on \$24,000, at 5 per cent., from July 1st, 1872.....	1,200 00
	<hr/>
	\$25,200 00

51. The steamship line of the Panama Railroad Company having become consolidated with the Pacific Mail Steamship line, and the contract with the latter having terminated, a new contract was signed with the said Pacific Mail Steamship Company, July 15th, 1875, by which it was bound to make two round voyages every month, touching on both voyages at Acapulco, and on one of them at Mazatlan, Manzanillo, Puerto Angel, Salina Cruz, Tonala, and San Benito, and at San Blas, when there were passengers or freight for that port; \$2,500 per month subsidy was granted to it, and the other exemptions of previous contracts, with the addition of the very important privilege of carrying on a coasting trade, and five years was the term of the contract. Notwithstanding that this contract has not been approved by the National Congress, it has been put in force.

52. The appropriations which the Mexican Government makes to the Pacific Mail Steamship Company, according to this contract, are as follows :

For subsidy on 12 voyages, at \$2,500 per month.....	\$30,000 00
For exemption from export duty on \$30,000, at 5 per cent.....	1,500 00
	<hr/>
	\$31,500 00

53. According to the 14th clause of the contract of July 15th, 1875, this contract was to be submitted to the approval of Congress, without preventing its coming into operation at once. Perhaps on account of its not having been approved by the Legislative Body, the late Administration did not pay the subsidy, and it was not paid until the present Administration came into power. Mr. Julius A. Skilton, as representative of the Company, applied to the Department of Finance, asking the payment of the subsidy from July, 1875, to December 31st, 1877, amounting to \$66,130 74, plus five per cent. export duty and two per cent. for the exchange of small money into hard dollars. Notwithstanding that the said contract was not approved by the Legislative Power, as already stated, the present Government ordered the subsidy due to be paid, and again submitted the contract to Congress for approval. The corresponding committee of the Chamber of Deputies presented their Report on the 4th of December, 1878, advising that the contract should be discontinued, which Report was neither discussed nor approved during the last session of Congress. The object was not to stop the voyages of the line of Pacific Mail Steamers to Mexican ports, but to terminate the contract of July 15th, 1875, so as to form another immediately after, the clauses of which should coincide with those of the contracts which the present Administration has entered into with other lines of steamers.

54. A great part of the trade with Germany and England formerly carried on with Mexico by sailing vessels, through our Pacific ports, is now carried on by the said line of steamers, and as the invoices of the vessels which bring these goods do not state whence they come, they are classed with the nationality of the vessels they are brought in, which causes these goods, on arriving at these ports, to pass for North American, when they really come from England or Germany.

C. The California and Mexico Line of Steamers.

55. The necessities of the trade between California and Arizona, and the difficulties of direct communication by land, decided the Colorado Steam Navigation Company to establish a line of steamers to ply between San Francisco and Fort Yuma on the Colorado River. This line touched at Cape San Lucas, Mazatlan, Guaymas, and La Paz, on its own account without any subsidy from Mexico. The railroad from San Francisco to Fort Yuma, upon its completion, diminished greatly the profits of the company, and the Mexican Government, fearing

50. The subsidy paid this Company by the Government was \$25,200 per year.

51. The two lines becoming consolidated, a new contract was entered into with the Pacific Company in July, 1875.

52. Mexico pays an annual subsidy of \$31,500 to the Pacific Mail Steamship line.

53. Upon this Administration coming into power, there were \$66,130 74 owing to the Company, which were ordered to be paid.

54. German and English goods passing for American, in the Pacific ports, by coming in American vessels.

55. The Colorado Steam Navigation Company.

that these circumstances would oblige the company to suspend the line, offered, on the 11th of June, 1877, to afford them pecuniary assistance, to enable them to continue their voyages between San Francisco and the said Mexican ports.

56. On the 18th of December, 1877, the Mexican Congress approved a contract made by the executive with the said company, which took the name of the California & Mexico Steamship Line, by virtue of which contract the company's steamers make a round voyage from San Francisco every thirty-five days, touching, going and coming, at La Paz, Mazatlan, Guaymas, Magdalena Bay, and Cape San Lucas. The term of this contract is three years, and the company receives the benefit of \$2,000 subsidy for every round voyage, and enjoys all privileges granted in other contracts.

57. The subsidy which, by virtue of this contract, the said company receives annually from the Mexican Government is as follows:

For subsidy on 10 voyages, at \$2,000 each.....	\$20,000 00
For exemption from export duty on \$20,000, at 5 per cent.....	1,000 00
	<hr/>
	\$21,000 00

D. Fast Steam Line on the Gulf of California.

58. On the 19th of Nov., 1877, the Mexican Government entered into a contract with the representative of an anonymous company of San Francisco to establish a line of steamers making trips every eighteen days from San Blas to Ciudad Lerdo, touching, going and coming, at Mazatlan, La Paz, Mulege, Guaymas, La Libertad, San Felipe, and Port Isabel, running from the latter point to Ciudad Lerdo in river steamers, and transporting the mail and passengers from thence by stage to Fort Yuma. The subsidy per voyage is \$1,500, and the term of the contract three years.

59. Last November this company solicited permission for its vessels to carry the Mexican flag, and a new contract was approved by Congress granting it this and other concessions.

60. The annual subsidy which the Mexican Government pays by virtue of this contract is as follows:

For subsidy on twenty voyages of 18 days each, at \$1,500.....	\$30,000 00
For exemption from export duty on \$30,000, at 5 per cent.....	1,500 00
	<hr/>
	\$31,500 00

61. This company was organized in San Francisco, where its headquarters are, and some of its members are citizens of the United States.

E. Summary of Subsidies Contracted with North American Lines, Touching at Mexican Ports on the Pacific.

62. The total of subsidies which the Mexican Government pays annually to North American steamers, touching at our Mexican ports, is as follows:

To the Pacific Mail Steamship Company.....	\$31,500 00
To the California and Mexico Steamship Company.....	21,000 00
To the Fast Navigation Company of the Gulf of California.....	31,500 00
	<hr/>
	\$84,000 00

63. In spite of the paucity in the Mexican treasury, and notwithstanding the doubt expressed in the Report, of the possibility for Mexico to pay the subsidies it agrees to, the grants to the North American lines on the Pacific have been fulfilled.

56. Contract of December 18th, 1877, with the California and Mexico Steamship line.

57. The annual payment to the California and Mexico line is \$21,000.

58. Contract of November 19th, 1877, with the Fast Line of the Gulf of California.

59. Enlargement of this contract November, 1878.

60. Annual subsidy paid this line, \$31,500.

61. The Fast Line of the Gulf of California has its headquarters at San Francisco, and is considered to be American.

62. Mexico pays \$84,000 annual subsidy to American steam lines on the Pacific.

63. The subsidies have been paid, notwithstanding the poverty of the Mexican Treasury.

5. SUMMARY OF SUBSIDIES PAID BY MEXICO TO LINES OF NORTH AMERICAN STEAMERS ON BOTH SEAS.

64. The total sum which Mexico now pays in subsidy to American steam lines on both seas is as follows :

To lines on the Gulf.....	\$118,010 00
To lines on the Pacific.....	84,000 00
Total	\$202,010 00

65. If the reduced condition of the Mexican revenue, and the multitude of serious and unavoidable claims that press upon its treasury are taken into account, and these are compared with the amount of the revenue and the good financial position of the United States, the efforts and sacrifices on the part of Mexico to establish and extend its commercial relations with the adjoining nation can be better appreciated.

66. As will be easily understood, Mexico has not expended \$202,010 in annual subsidies to North American steamers, during the past years up to the present time; for the lines have been established gradually, and the subsidies have gone on increasing with the lapse of time. The following official statement, issued by the Department of the Treasury, shows the sums that Mexico has expended in subsidies to North American steam lines from May, 1868, to December, 1878 :

DEPARTMENT OF THE TREASURY.—SECTION SECOND, SIXTH BUREAU.

Statement of Amounts paid from the General Treasury to North American Steam Lines from May, 1868, to Dec., 1878, inclusive.

<i>Year 1868 to 1869.</i>		
Paid Vera Cruz and New York Line.....		\$46,200 00
<i>Year 1869 to 1870.</i>		
Paid Vera Cruz and New York Line.....		30,800 00
<i>Year 1870 to 1871.</i>		
Paid the same Line from New York.....		48,400 00
<i>Year 1871 to 1872.</i>		
Paid the same Line from New York.....		41,800 00
<i>Year 1872 to 1873.</i>		
Paid New York Line.....	\$37,400 00	
Paid Pacific Steam Line.....	4,500 00	41,900 00
<i>Year 1873 to 1874.</i>		
Paid New York Line.....	40,500 00	
Paid Pacific Line.....	64,250 00	104,750 00
<i>Year 1874 to 1875.</i>		
Paid New York Line.....	40,000 00	
Paid New Orleans Line.....	19,800 00	59,800 00
<i>Year 1875 to 1876.</i>		
Paid New York Line.....	42,500 00	
Paid New Orleans Line.....	30,600 00	
Paid Pacific Line.....	35,450 00	108,550 00
<i>Year 1876 to 1877.</i>		
Paid New York and New Orleans Line.....	77,400 00	
Paid Pacific Line.....	34,619 26	112,019 26
<i>Year 1877 to 1878.</i>		
Paid California Steamship Company.....	10,000 00	
Paid New York Steamship Company.....	43,100 00	
Paid New Orleans Steamship Company.....	25,600 00	
Paid Gulf of California Steamship Company.....	1,000 00	
Paid Pacific Steamship Company.....	35,587 18	115,287 18
Carried over.....		115,287 18

64. The total annual subsidy now paid to American Steamers on both seas is \$202,010.

65. The sacrifices of Mexico to establish and extend its commercial relations with the United States.

66. Amount of subsidy to American Steamers since May, 1868, is \$806,750.

Brought over.....		\$115,287 18
Year 1878 to 1879.		
Paid Pacific Line for first six months.....	30,543 56	
Paid Gulf of California Line, from July to Nov. of 1878.....	2,500 00	
Paid New Orleans Line, from July to December of 1878.....	18,000 00	
Paid New York Line, from July to December of 1878.....	37,200 00	
Paid California Line, from July to December of 1878.....	9,000 00	97,243 56
Total.....		\$806,750 00

6. THE UNITED STATES GOVERNMENT DOES NOT SUBSIDIZE NORTH AMERICAN STEAMERS TRADING WITH MEXICO.

67. The fact that the United States Government has not subsidized its own lines of steamers trading with Mexico makes it plain, at least, that in efforts to establish and extend trade between the two countries, Mexico is not the one that has been least solicitous. The Report recognizes this.

68. It is very satisfactory to see that the representative of the United States in Mexico estimates justly the value of establishing new lines of maritime communication between the two countries; that he does justice to the efforts of Mexico to create and sustain those now existing, and that he bears in mind the recommendation we formerly made to his government regarding the advisability of following the example of Mexico on this point, and appropriating \$100,000 to \$150,000 to establish and maintain steam lines that should increase the trade between the two nations, by which he believes steamship communication would be immediately doubled, and considers that this would be sufficient for many years. On this point the Mexican Government takes much pleasure in agreeing with him, only it is proper to call attention to the fact that Mexico is now annually devoting a larger sum to this object than that set forth in the Report, notwithstanding the enormous disproportion in the resources of the two governments, bearing in mind that the Mexican revenue amounts annually on an average to \$17,141,508 29, according to the data of the last five fiscal years, while that of the United States, in the year 1874 to 1875, amounted to \$288,051,000, and last year to \$257,763,878, as appears from the President's Message of Dec. 2d, 1878.

A. Suggestions made to the United States Government to subsidize Lines of Steamers to Mexico.

69. Suggestions on this subject to the United States Government have not been wanting. Long before those made by Mr. Foster, in his speech before the Chamber of Commerce of New Orleans, Nov. 18th, 1875, then already an authorized diplomatic representative of the United States in Mexico, and thus claiming attention from the high character of the functionary from whom they emanated, Mr. Charles Butterfield wrote and published, at his own expense, in 1858, a book entitled "The United States and Mexico.—Commerce, trade and postal facilities between the two countries.—Statistics of Mexico by Charles Butterfield," the second edition of which was published in New York in 1861, by Messrs. J. A. H. Hasbrouck & Co. The principal object of this book was to demonstrate to the United States Government the great advantages of enlarging its commerce with Mexico by subsidizing a line of steamers making four voyages per month between Mobile or New Orleans and all the Mexican ports then open to foreign commerce.

70. In this same book it appears that since 1853 Mr. Butterfield busied himself in promoting this important matter, and that on various occasions the Mexican Government offered him a subsidy of \$120,000 per year, without his having been able to obtain a like sum from the government of the United States, for which reason the line was never established.

B. The United States Government does not appear to be inclined now to subsidize lines of steamers to Mexico.

71. In spite of all this, it appears that the United States Government has not decided yet to subsidize lines of steamers to increase its trade with Mexico, whereas in a message which the president of the United States sent to the Senate Dec. 17, 1878, (Forty-fifth Congress, Third Term of Sessions, Executive Document No. 7,) proposing that the United States Government should subsidize lines of steamers to promote trade with Central and South America, no mention is made of Mexico, believing, perhaps, that the means of communication subsidized by Mexico which now exist are sufficient.

67. Mexico has not been less solicitous than the United States to establish relations between the two countries.

68. Recommendation of the United States Representative, to his Government, to subsidize lines of Steamers.

69. Proposal of Mr. Charles Butterfield to the United States Government, in 1853, to subsidize lines from New Orleans to our ports on the Gulf.

70. Since 1852 Mexico has offered to pay a subsidy of \$120,000 per year to the New Orleans line.

71. The United States Government, in proposing to subsidize lines of Steamers, does not mention Mexico.

72. It is true that this message originated from a proposition approved by the Senate Dec. 5th, 1878, in which the President was asked to transmit to that body all the information received by the departments of the Executive concerning postal and commercial relations between the United States and the South American countries, with whatever recommendations he might think proper to submit to the Senate in regard to the measures it ought to adopt to further and improve said relations. Although it would appear that no information was asked in this proposition in respect to Mexico, but only of South America, the President of the United States, in his message of the 17th of the same month of December, refers not only to South America but to Central America also.

73. The President of the United States accompanied his message referred to with two reports, one from the Secretary of State dated Dec. 17th, 1878, and the other from the Postmaster-General, of the 14th of the same month, comprising official communications on this very subject. The report of the Secretary of State, important in more than one respect, sets forth that the general predominance of Great Britain in the markets of Central and South America, on the Pacific as well as on the Atlantic coasts, is to be attributed to the establishment of regular postal communication with pecuniary help from their government. Their example has been followed by Germany, France, and Italy, and this with the sagacity and enterprising spirit the European nations have thus shown, has enabled them to reap for themselves advantages in favor of an extensive commerce in the American hemisphere which naturally, from its geographical position, belong to the United States.

74. In another part of this communication the conclusions will be set forth which result from the report of the Secretary of State, suffice it to say here only, that among the documents sent by the Department of State to the President of the United States to be transmitted to the Senate, not one of them refers to Mexico, and only among those sent by the Postmaster-General there is a communication from the United States Consul in Acapulco, dated Feb. 8th, 1878, which makes some observations in regard to postal and commercial relations with the western coast of Mexico in general, and with the port of Acapulco in particular.

75. It is probable that the United States Government proposes to specially recommend to Congress some suitable legislation to promote commercial relations with Mexico, in response to the proposition recently presented by Mr. Schleicher, and approved by the House of Representatives, in which information is asked of the Executive respecting commercial relations between Mexico and the United States.

7. DEVELOPMENT OF TRADE BETWEEN MEXICO AND THE UNITED STATES BY LINES OF STEAMERS.

76. The Report continues by saying that the additional communication which it proposes, by lines of steamers, would only be a partial and imperfect measure, to provide for the necessities of United States trade with Mexico, if it is to be permanent and extensive, and that a railroad is indispensably needed, to put the City of Mexico in communication with the railway system of the United States.

77. It cannot be denied that the development of interior commerce between the two Republics requires indispensably the construction of not only one but of several lines of railways to put the different productive regions of Mexico in communication with the centres of commerce and consumption of the United States; but it should not, at the same time, be ignored that lines of steamers and sailing vessels, employed in trade between the two countries, can develop it in a great degree by increasing the facilities now offered and reducing their charges on freight. This the Report recognizes, in saying that the increase of steamers through the subsidy the United States Government might pay would be sufficient to meet the needs of commerce for some years.

78. The trade of the United States with the Island of Cuba is relatively considerable, and yet it is carried on entirely by steamers and sailing vessels. Solely by steamers and sailing vessels, this important Island contributes 700,000 tons of sugar annually, for the consumption of the world; this amounted in 1875 to 2,140,000 tons, almost two-fifths of all the sugar consumed. The same can be said of the extensive commerce the United States carries on with Brazil. The United States has no other means of carrying on its commerce with England, France, Belgium, Germany and other European and Asiatic countries, than by steamers and sailing vessels, and yet it sustains a most active trade, and of surprising results.

72. The Senate asking for information from South America, the President also sends information from Central America

73. Reports of the Secretary of State in respect to the increase of American commerce, by means of lines of Steamers.

74. The United States Department of State makes no mention of Mexico in its Report of December 17th, 1878.

75. Probability of the United States proposing some suitable means of increasing its commerce with Mexico.

76. The Report states that the establishment of steam lines is not sufficient for the development of commerce.

77. Lines of Steamers can considerably increase the trade between Mexico and the United States.

78. The commerce carried on by the United States with Cuba, South America, Europe and Asia is done by lines of Steamers.

79. Although on a much smaller scale, Mexico has no other means of carrying on its commerce with France, England, Germany and Spain than by steam and sailing vessels, and notwithstanding that trade is much more important than that carried on with the United States. The market value of foreign goods imported to Mexico in 1872-3 is estimated at \$31,713,846 84, including 70 per cent. in duties and expenses on the invoice price, while \$11,118,057 94 represents the commerce with the United States, in which sum, as has already been said, European goods, coming to our Pacific ports in American vessels, figure largely.

80. It is evident, then, that it is not an absolute necessity, to build a railroad from Mexico to the United States, in order to obtain a great development of commerce between the two countries; although the construction of this line is very desirable and of great importance, and every effort should be made to realize it as soon as possible, and for this end the Mexican Government is working.

8. CONTRACTS ENTERED INTO BY MEXICO WITH STEAMERS OTHER THAN NORTH AMERICAN.

81. The efforts of the Mexican Government to establish and maintain steam communication between its ports and the United States, cannot be duly appreciated if mention is not made of the contracts it has entered into with other lines of steamers, in order to improve its communication with some of the principal European ports. We proceed, therefore, to an exact statement of the two contracts which Mexico has entered into, for this purpose, and also of another contract with a river steamer to facilitate trade with the United States.

A. Contract entered into with Messrs. L. C. Garcia & Company.

82. On the 17th of January, 1878, a contract was entered into with Messrs. L. C. Garcia & Co. to establish a line of steamers to put the ports of Vera Cruz, Tampico and Progreso in communication with Habana, Santander, Havre and Liverpool, for the purpose of obtaining a considerable reduction in the freight tariff on merchandise, which would permit the exportation of various Mexican productions to European markets. Although this contract has not been approved by Congress, nor acted upon, not having passed beyond a simple project, it is proper to note the object for which it was signed, as it serves to explain the one which was entered into afterwards on the 8th of Oct., 1878, with the Belgio-Mexican Trans-Atlantic Company, which was approved by Congress on the 27th of Oct. following; neither, however, has this line yet been established.

83. The Mexican Government is convinced that the prosperity of the Republic depends principally on encouraging the exportation of its productions, for it believes that as soon as circumstances may permit the profitable export of everything the country can produce to advantage, honest and lucrative employment will be afforded to all its inhabitants; immigration will be possible; there will be material welfare and abundance, and a great opening up of the various sources of public wealth.

84. One of the great obstacles to the exportation of our productions is the high price of freight, on land as well as sea, in transporting them to foreign markets, where they are in demand. As in the interior of the country there are no railways nor river communication, freight is very high, and even articles like sugar do not pay the cost of exportation except they are produced on the coast or near it. Economy in interior freights not being obtainable, it has been sought for in freight by sea.

85. Among the different lines of steamers communicating between Vera Cruz and various European ports, that which affords the lowest freights is a Liverpool line, called the "West India and Mexico Steamship line," its lowest rates between Vera Cruz and Liverpool being, according to the tariff published in Vera Cruz, January, 1878, forty shillings per English ton of 2,240 English pounds, equal to ten dollars of our money, calculating five dollars to the pound sterling. This freight is less than that charged by the Vera Cruz Railroad Company up to Nov. 24th, 1878, according to their contract of March 15th, 1873, approved by the Law of the 17th of December following, on national products going from the Capital for exportation; which freight was more than eleven dollars per English ton before the iron pier was projected, and more than sixteen dollars per ton after the said pier was made use of. By virtue of the new tariff of the Vera Cruz Railroad Company, which began to take effect on Nov. 25th, 1878, and which was adopted at the suggestion of the Mexican Government, to facilitate the export of national products, freight is divided into three classes—first class pays \$16 56; second class, \$11 04, and third

79. The commerce of Mexico with Europe, greater than that with the United States, is carried on by lines of Steamer.

80. The building of a railroad is not absolutely necessary to increase trade with the United States.

81. Contracts entered into by Mexico with lines of Steamers, other than North American.

82. Contract entered into with Messrs. L. C. Garcia & Co., to establish a line from Liverpool to Vera Cruz.

83. The prosperity of Mexico depends principally on encouraging the exportation of its products.

84. One of the principal obstacles to exportation is the high price of freights.

85. Freight charged by lines of Steamers touching at Vera Cruz compared with that of the Mexican Railway.

class, \$6 90 per English ton ; first and third class freight still remaining higher than the tariff from Vera Cruz to Liverpool.

86. According to the contract entered into with Messrs. L. C. Garcia & Company, Jan. 17th, 1878, the minimum maritime freight on national productions going to Liverpool should be two dollars and a half per English ton, and on articles going to Habana, Santander and Havre, in proportion, and even less. The Mexican Government believed that with a freight so low the exportation of many of our products which cannot stand the present maritime freight would be profitable, and among them that of cereals, which must prove so favorable in the future of our country, and it was judged, therefore, that this contract was one of the most efficacious means of encouraging the export of Mexican productions.

87. It is true that exportable articles are not now produced in Mexico in sufficient quantity for operations on a large scale, and that if the contract had been acted upon immediately, some months would have gone by before the nation could have availed itself of that tariff ; because in any effort to create such a commerce, knowledge must first be acquired of the foreign markets and of the articles best adapted for such exportation, and then time enough be allowed for sufficient to be sown to create an adequate supply over and above home consumption. While recognizing this difficulty it was borne in mind, however, that there were already products, like sugar, the exportation of which hardly pays the cost of present freights, and which, on the reduction of these to the quarter part of the present tariff, would be profitable, and might increase greatly this article of sugar, so as to become, in time, one of the principal staples of our export.

88. If the freights from Vera Cruz to Liverpool charged by the West India and Mexico Steamship line, which come to half a cent per pound, are compared with those charged, until recently, by the steamers of Messrs. Alexandre & Sons, it will be seen that notwithstanding the former enjoys no subsidy whatever, and American lines are subsidized by the Mexican Government, and notwithstanding the great difference in the distance run by the two lines, the tariff of the English line makes it to the advantage of Mexico to export its products to European markets. It is a cause of satisfaction to the Mexican Government that the New York and New Orleans lines have reduced somewhat the freights in their tariffs, which were approved on the first day of the present year.

89. Unfortunately, Messrs. L. C. Garcia & Co. could not establish the contracted line, therefore Congress did not concern themselves to approve the contract of Jan. 17th, 1878, but it served as a basis for that with the Belgio-Mexican line, which we will now speak of.

B. Contract entered into with the Belgio-Mexican Trans-Atlantic Company.

90. Although the freight tariff contracted with the Belgio-Mexican Trans-Atlantic Line is not as advantageous as that agreed to with Messrs. L. C. Garcia & Co.'s line of steamers, it still offers a great inducement to the export trade in national products, and this with the desire to open commercial relations with a country with which we had no direct trade were the principal reasons which induced the Mexican Government to enter into a contract with the Belgio-Mexican Trans-Atlantic Company, which contract notwithstanding, as has already been said, has not yet begun to be acted upon.

E. Contract with Messrs. Bulnes Brothers of San Juan Bautista, Tabasco.

91. On the 30th of May, 1878, the Mexican Government entered into a contract, through the Secretary of State for the Interior, with Messrs. Bulnes Brothers, of San Juan Bautista, State of Tabasco, by virtue of which those gentlemen obligated themselves to provide a steamer of a hundred tons, to make eight voyages per month between Frontera and San Juan Bautista, connecting on four of these voyages with the New York steamers at Frontera, to collect the mail, passengers and freight for those ports, paying said firm therefor \$200 per month, and placing the term at two years.

92. Although this is properly a river line, and is devoted only to facilitating the trade of the New York steamship line and putting the Capital of the State of Tabasco in communication with the port, it has been thought proper to speak of it here, so as not to omit mention of any steamers subsidized by the Mexican Government.

86. Freights from Mexico to Liverpool stipulated in the contract entered into with Messrs. L. C. Garcia & Co.

87. Cause of the little production of exportable products now in Mexico.

88. Freights charged by the Liverpool and the New York and New Orleans lines.

89. The contract with Messrs. L. C. Garcia & Co. served as a basis for that with the Belgio-Mexican Company.

90. Contract entered into with the Belgio-Mexican Trans-Atlantic Company.

91. Contract entered into with Messrs. Bulnes Brothers, of San Juan Bautista, May 30th, 1878.

92. This is a river line, established to facilitate the trade of the New York Steamers.

9. SUMMARY OF FACTS IN REFERENCE TO SUBSIDIZED STEAMERS WHICH TOUCH AT MEXICAN PORTS.

93. From the preceding brief statement, the following facts appear to be demonstrated :

1st. That Mexico pays subsidy to only five lines of North American steamers, two on the Gulf and three on the Pacific.

2d. That Mexico has solicited the establishment of the North American lines to its ports, in order to develop its commerce with the United States.

3d. That it has fulfilled its obligations contracted with the said lines, paying them the subsidies agreed to, in spite of the embarrassed condition of its treasury.

4th. That it has devoted no small portion of its limited revenue to subsidize North American lines of steamers, the actual amount devoted to that object being larger than what the United States representative in Mexico recommended his government to devote to that purpose, the relative proportion of the revenue of the two nations notwithstanding.

5th. That the United States Government has not, up to this time, subsidized any North American line of steamers in order to develop trade with Mexico, notwithstanding the recommendation of its Representative in this country, and the repeated suggestions made since 1853, by Mr. Charles Butterfield.

6th. That neither does it yet appear opportune to the said Government to subsidize lines of steamers to Mexico, as is inferred from the President's Message, sent to the Senate Dec. 17th, 1878, inasmuch as in it subsidy is recommended for steamers to Central and South America, and a marked omission is made of Mexico, although the presentation of documents on this matter is pending.

7th. That the four lines of European steamers now plying to Mexican ports on the Gulf have no subsidy whatever from the Mexican Government.

8th. That although Mexico has entered into two contracts to subsidize two lines of steamers between Mexican ports of the Gulf and European ports, one failed to establish itself, and the other has not been established yet.

9th. That the Mexican Government also subsidizes a River Steamer, the principal object of which is to facilitate the trade of the United States lines with the port of Frontera.

II. CONSTRUCTION OF A RAILROAD FROM THE CITY OF MEXICO TO THE UNITED STATES FRONTIER.

94. After speaking of the lines of steamers, and representing them as partial and imperfect means to meet the requirements of trade, if the United States is to enjoy an extensive and permanent commerce with Mexico, the Report states that it is an indisputable fact, that what both countries most need, in a commercial point of view, is an international railway.

95. At the same time that the Report presents the construction of a railroad in Mexican territory as very difficult, if not impossible, for reasons which will be mentioned further on, it sets forth on this subject : "That as far as the United States are concerned the problem can soon be solved; that on the Pacific coast a United States railway has reached the Mexican frontier at Fort Yuma; that the railway lines of Southern Texas have already reached San Antonio, and that a month would suffice to extend them to the Rio Grande, in case their continuation across the frontier should offer sufficient inducements; that there is another continuous line in process of construction across New Mexico, in a southwestern direction, which will bring the Mexican frontier into communication with the lines of the Northern and Middle States; that as concerns the work to be performed on American territory, it can be considered as virtually finished; but in regard to Mexican territory, all the labor has yet to be done."

96. The Report states that in everything looking towards the construction of an international railroad in Mexican territory, all the labor is yet to be done, and in questioning when the work will be commenced, how fast it will be carried forward, and when it will be finished, it sets forth that the answer to these inquiries demands investigation into the legislation and financial situation of Mexico, not to say anything about peace and the stability of the Government.

93. Summary of facts in reference to subsidized steamers touching at Mexican ports.

94. Necessity of building an international railway from the City of Mexico to the United States frontier.

95. Railroads in the United States reaching, or approximating to, the Mexican frontier.

96. The construction of an international railway in Mexican territory is yet to be done.

97. The Report reduces these investigations to the three following points:

- 1st. What legislation or what kind of concession is necessary to the building of the railway?
- 2nd. What are the probabilities of obtaining such concession from the Mexican Congress?
- 3rd. What pecuniary aid can Mexico extend to this great work?

98. The examination of these three points occupies that part of the Report referring to the construction of railways in Mexico. The importance of this matter makes it necessary to treat specially of each one of them, and for a more complete elucidation of the facts relating to this question the following points will be examined, in addition to the three set forth in the Report:

- 4th. Railway concessions made to North American companies.
- 5th. Railway concessions made to companies not American.
- 6th. Railway concessions made to States of the Mexican Confederation.
- 7th. The Mexico and Vera Cruz Railway Company, limited.
- 8th. Summary of railroads built in Mexico and of subsidies paid them.

10. WHAT LEGISLATION OR WHAT KIND OF CONCESSIONS ARE NEEDED FOR THE BUILDING OF RAILROADS IN MEXICO.

99. The Report states "that American capitalists and business men who have consulted with the Representative of the United States in Mexico upon the probabilities of obtaining a practicable concession from the Mexican Government to build a railroad from the Mexican frontier to the City of Mexico, have almost invariably considered it necessary that the concession should contain a clause by which the property and capital of the railroad should be guaranteed by the two Governments, and in some cases it has even been considered indispensable that the credit granted by Mexico should also be guaranteed by the United States Government. The Report considers that North American capitalists cannot ignore the half century of disorder and revolution in Mexico, and there is a general conviction that their money cannot be safely invested in a great railway enterprise in this country without the protection of the United States Government, by means of a treaty, or some other agreement." The Report sets forth, lastly, that the Representative of the United States has unhesitatingly replied to these inquiries, that in the present condition of public feeling in Mexico its Government would not consent to any of these conditions.

100. If there were any foundation for the opinion expressed in the Report, "that without the protection of the United States Government it would be impossible to build an international railroad in Mexico," the project would have to be given up. Mexico could not enter into a treaty with the United States nor with any other Power, consenting that a foreign Government should guarantee the fulfillment of a private contract made by Mexico for the construction of a work within its own territory. This would be equivalent to a formal and solemn acknowledgment beforehand, of its own inability to fulfill its contracted obligations, and a nation that should begin by confessing such impotency would justly forfeit the respect of the civilized world; and for its own self-respect ought to refrain from entering into a contract which it recognized itself unable to fulfill, unless stimulated and obliged thereto by another nation, whose guarantee it accepted, for the carrying out of the compact.

101. If the incidents which have taken place between Mexico and the United States, which will be referred to further on, are taken into consideration, it will not appear strange, but on the contrary very natural, that it should be more difficult for Mexico to enter into a treaty of this kind with the United States than with any other Power.

102. But the opinion on this point in the Report appears to be without foundation, various North American companies have solicited concessions from the Mexican Government to build railroads and have obtained them, and far from requiring of this government the guarantee of the United States, they have accepted the conditions that Mexico has imposed.

A. Conditions imposed by Mexico. Contract of the Texas International Railroad.

103. In support of the opinion expressed in the Report, that Mexico would not consent that the capital and property of the railroad should be guaranteed by the United States Government, mention is made of two incidents;

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97. Questions which the Report examines, regarding the building of an international railway.
 98. Examination of other points in relation to the same subject.
 99. The Report considers the guarantee of the United States necessary to the building of an international railroad.
 100. Were this so, the international railway project would have to be renounced.
 101. Difficulties to the consent of Mexico, that a foreign Government should guarantee its contracts.
 102. The opinion of the Report on this point appears to be without foundation.
 103. The Report states that Mexico would not consent to the guarantee of the United States.

one, the impression that was produced here by a proposition presented in the United States Senate May, 1878, on this subject by Senator Morgan, of Alabama, and the other the conditions of the concession made to the Texas International Railroad Company in May, 1878, to build a line from Leon to the United States frontier. The first of these incidents will be spoken of, on treating of the state of public opinion in Mexico towards the United States.

104. In regard to the second point, the Report states that the contract entered into with the Texas International Railroad Company "contained stipulations which would be totally null and void in case part of the capital should be transferred, or that any part of the property or interests of the company should be alienated or mortgaged to any foreign State or government; that all the capital and all the share-holders, employees and persons connected with the company should be considered as Mexicans in everything connected with the enterprise within the Republic; that these persons should have no right to make claims as foreign subjects *"not even under alleged denial of justice."*

It adds, that "similar stipulations have been inserted in all the contracts or concessions to foreigners that have been made or proposed since that date; that none of these concessions have been found advantageous, and that one of the reasons for this, which is very obvious, is that American capitalists decline to invest their money in Mexican enterprises, without some greater security than has been offered in the past, and particularly do they decline to renounce their nationality in exchange of the privilege of building a railroad in a foreign country, agreeing beforehand to renounce the intervention of their government, *in case justice is denied them*, a right recognized in the general principles of international law."

B. Reason of the Conditions which Mexico imposes for the Building of Railroads within its Territory.

105. As the Report considers it impossible to accept the conditions of the contracts on the construction of railroads entered into by Mexico with North American Companies, it is proper to explain, although briefly, the cause of those conditions, which are not special to the citizens of the United States, but are general to all contracts of the kind that Mexico enters into, as the Report acknowledges.

106. A sad and painful experience has obliged Mexico to insist upon those conditions, and they have been accepted, moreover, by companies who have built the roads they contracted for, and which are now finished, as that of Vera Cruz. On one hand, the repeated concessions made by Mexico, without any practical result, from the insolvency of the enterprises, and on the other, the exaggerated and unfounded claims proceeding from daring speculators, by whom the country has been victimized, and who have even brought upon it unjust and severe foreign wars, have caused Mexico carefully to shun contracting obligations that might lead it into difficulties, and, above all, difficulties of an international character. These reasons determined the Mexican Government to require in all railway contracts it has entered into the conditions which are said to be so onerous, and which prohibit one of the parties from alienating their concession to a foreign Government or to another company or to individuals, without the consent of the Mexican Government, and to require that all questions rising out of the concession shall be settled by Mexican authorities, according to the laws of this country, to prevent their being invested with the character of international claims. By restricting in the contract the right to sell the concession, it has sought to prevent any speculator from transferring it to any foreign Government that might desire to provoke difficulties with Mexico, and under cover of the rights granted in the concession, should try to exercise powers contrary to the sovereignty and rights of the Republic. When the late French Emperor attempted to establish his power in Mexico, he would have had a better pretext to carry forward his plans—which owed their failure partly to the attitude of the United States—if he had been the legitimate possessor of one of these concessions.

107. Furthermore, the United States Government itself has repeatedly recognized, from the time of John Quincy Adams and Henry Clay, that it had no right to take part in questions springing from the fulfillment of contracts entered into between North American citizens and foreign Governments, and this proves that the conditions referred to rest on a reasonable and just foundation. On the other hand, it does not seem probable that the United States Government would consent to a foreign Government obtaining possession of any of the lines of railway within its territory, notwithstanding that foreign capital is invested in many of them.

A. Diplomatic Claims against Mexico.

108. In order to see clearly the good reasons that exist for Mexico to dread foreign claims when they assume

104. The Report relates the conditions required by Mexico in its railway contracts.

105. Reason for these conditions, which are general to all contracts of the kind.

106. An endeavor is made to avoid the danger of their being transferred to foreign Governments, or giving pretext to unfounded claims.

107. Claims proceeding from contracts not provided for in the Convention of 4th July, 1868.

the character of diplomatic affairs, it must be remembered that they have generally been notoriously exaggerated and have given rise to very serious consequences, Mexico having paid on their account relatively large sums.

109. Diplomatic claims occasioned a rupture between France and Mexico in 1838; diplomatic claims, served as a pretext, in 1761, for France, England and Spain, to ally themselves against Mexico, in order to bring upon her an armed intervention.

110. In regard to the claims of citizens of the United States, suffice it to say, for the present, that they have not been of the most moderate character. In speaking of those posterior to the treaty of Guadalupe Hidalgo of Feb. 2nd, 1848, it is proper to bear in mind that those submitted to the Mixed Commission in session at Washington, by virtue of the agreement of July 4th, 1868, amounted to \$470,126,622 40, from which the Commission threw out \$466,000,991 20, only having recognized claims to the value of \$4,125,622 20; less than one per cent. of the sum claimed. Among the claims approved by the Mixed Commission were those of Benjamin Weil, the principal and interest of which amounted to \$487,810 68, and that of "La Abra Mining Company," the principal and interest of which come to \$683,041 32, making a total of \$1,170,852 00, which, with good reason, are considered to be unfounded, and therefore the United States Congress has authorized the President to determine whether the respective decisions are revisable or not, following the precedent of the course pursued in regard to claims of the United States citizens against the Government of Venezuela.

B. Clause in Reference to Denial of Justice.

111. The Report specially objects to the clause contained in some of the railway concessions made by Mexico, by virtue of which the grantees cannot allege rights of foreign citizenship, nor present diplomatic claims, in questions arising from the building of the road, "*not even when denial of justice is alleged*," setting forth that this clause imports the ignoring of a right recognized in the general principles of international law.

112. Mexico has desired that in contracts entered into with foreigners, these should have no rights more nor less than those enjoyed by Mexicans, and which are amply guaranteed by the laws of the country. It is not logical to expect that any Government would consent to make better terms with foreigners than with its own citizens. These considerations, and the fact that in some cases, in spite of the stipulations on the part of the grantees, by which they could not allege the rights of foreign citizenship, nor interpose a diplomatic claim, they have done so, alleging or pretending a denial of justice, have caused Mexico to deem it expedient to close the door to every pretext for foreign claims, springing up from contracts on the construction of railroads within its territory, even when denial of justice is alleged therefor.

113. Moreover, all who have lived for any time in Mexico are aware that justice is dispensed in this country alike to foreigners as well as to Mexicans. It is not probable, on the other hand, that justice would be denied to a company provided with every means to substantiate its rights, according to the laws of the country, which give ample recourse for the protection of all the inhabitants of the Republic.

114. The restriction conveyed in this clause was not inserted to enable Mexico with impunity to deny justice to foreign companies, but to protect herself from the designs of unscrupulous speculators. Therefore the fears that foreign companies will refuse to invest capital in building railways in Mexico because the clause prohibits the allegation of the rights of foreigners and of diplomatic claims even in case of denial of justice, appear to be entirely without foundation.

2. PROBABILITY OF OBTAINING A CONCESSION FROM THE MEXICAN CONGRESS.

115. In reference to this matter the Report states that "if it has rightly understood the opinions of American capitalists, it does not seem worth the while to examine this second point, as the only charter which the Mexican Government proposes to give will appear to be worthless to American contractors; but as there may be citizens of the United States who might be disposed to accept a charter based on the terms agreed upon, it states that there undoubtedly exists in Mexico a general conviction that railroads are one of the great necessities of the country," although it adds, "that sympathy in favor of railway connection with the United States is not found to

108. Reasons for the fear which Mexico entertains respecting foreign claims.

109. Mexico has suffered two wars with the pretext of foreign claims.

110. Claims of citizens of the United States have not been very moderate.

111. The Report refers to the clause in the concession about denial of justice.

112. Probability of obtaining from Mexico the concession for the international railway.

113. Justice is dispensed in Mexico to Mexicans and foreigners.

114. Object of the clause on denial of justice.

115. Suggestion of the Report on the opinion in Mexico regarding the building of an international railway

be so prevalent ;" that "the majority of the most intelligent public men in Mexico believe that the construction of a railroad from the Capital to the Pacific Ocean, forming, with the Vera Cruz road, an inter-oceanic line, would be more important ;" it asserts that "there exists the belief, not predominant, although very general, that railroad connection with the United States would be the destruction of Mexican nationality, and the future absorption of the country by the Americans;" and it concludes by saying "that the politicians of the country know this feeling so well that when it suits their purpose they never fail to appeal to it with marked effect in Congress."

116. The Report goes on to relate what occurred in the Eighth Congress, on the discussion of the contract entered into with Messrs. Sullivan & Palmer, and particularly what the Representative, Mr. Alfred Chavero, said in regard to it. Before speaking of this matter it is proper to expose briefly and exactly the state of public opinion in Mexico, in regard to the United States, in order that we may examine afterwards the proposition of Senator Morgan, and the speeches of Deputy Chavero, to which allusion is made in the Report.

A. State of Public Opinion in Mexico Regarding the United States.

117. Public opinion in regard to the United States has been as variable as the character of the divers events that have taken place between the two countries. For the consideration of this subject two principal epochs may be reckoned upon—that before French intervention in Mexico and that after it. We will speak briefly of each one of these periods.

a. Public Opinion in Mexico regarding the United States, before the French Intervention.

118. From the beginning of the present century, Mexico looked upon the United States as a sister nation, and as one setting them an example worthy of imitation. It can be confidently stated, that the leaders of Mexican Independence were inspired by the example of the United States, to begin the work they undertook in Mexico. No sooner was Independence proclaimed than agents were sent to Washington to solicit help to carry it forward. Upon its consummation the first diplomatic representative of the new nation was sent to the United States. As soon as an independent government was established in Mexico, the regency of the Empire caused the treaty of limits between Spain and the United States, of February 22d, 1819, to be published, accepting it as our first international compact. The instructions given by Iturbide to one of his agents in the United States (D. Eugenio Cortes) reveal quite extensive views of alliance, and even included the extradition of criminals, which idea, emitted in 1822, is worthy of mention. The United States were the first power in the world to recognize the independence of Mexico. The first constitution of Mexico formed by a National Congress, and promulgated October 4th, 1824, was very much like the constitution of the United States. The first treaties entered into between Mexico and the United States are characterized by an honesty, which shows that cordial relations were enhanced between the two countries, and that there were no interested views on one side, neither distrust nor fear on the other.

119. This favorable state of things began unfortunately to change a short time after the consummation of Mexican Independence. Some citizens of the United States solicited of Mexico some lands in Texas for colonization, offering to be subject to the sovereignty and laws of this country. Mexico responded, with as much liberality as lack of foresight, giving the colonists lands and privileges. Stephen Austin obtained from the Imperial Government of Iturbide, February 18th, 1823, a grant to colonize Texas. The acts of Iturbide being annulled by Congress, April 8th, 1823, the same Congress authorized the Executive, on the 11th of the same month, to confirm the grant made to Stephen Austin, to establish 300 families in Texas, and to pass upon applications of a like nature. In accordance with this, the Executive, the 14th of April, 1823, carried into effect the concession made to Austin. A law on colonization had been passed on the 4th of January, 1823, which was ordered to be suspended in the order of the 11th of April following. On the 18th of August, 1824, Congress issued a general law on colonization, with very liberal provisions, authorizing the States to frame laws and regulations for colonization in their respective territories. By virtue of this law the State of Coahuila and Texas made various grants to other citizens of the United States to colonize Texas. In 1835 the North American colonists of Texas rose up against the Mexican Government, and maintained a long war against it, which was at last disastrous for this country, principally through the intervention of the United States. It can be confidently said that one of the primary causes of that uprising was the question of slavery in the United States, as will be seen further on.

116. Incidents of the discussion on the contract with Messrs. Sullivan and Palmer.

117. Public opinion in Mexico regarding the United States. Its two epochs.

118. Cordiality of the relations between Mexico and the United States until 1835.

119. The Texas Question.

120. Upon the deplorable events of Texas, followed others still more important for Mexico, which brought on a war between the two nations, the results of which were fatal for this country. The policy of the United States towards Mexico during the rule of the Democratic party, whose political creed was to maintain and propagate slavery, had to be, in the nature of things, and was in fact, hostile to the Mexican nation, because, not being able to establish slavery in the Northern States, there remained no other available field for this object than that part of the continent, to the south of the American Union, and because the rapid growth of the northern and western States, where a great antagonism to slavery prevailed, was leaving the southern States in the minority, which States, to preserve their power, were under the imperative necessity of extending their territory in the direction where the establishment and propagation of slavery could be possible. The desire to realize this design of the Democratic party of the United States gave rise to the aggressive policy of that government, which culminated in the war which the United States made against Mexico in the years 1846 and 1847, which resulted in the loss, on the part of Mexico, of nearly half its territory. The dominant party of the United States did not, however, succeed in obtaining the result that had been expected by this war; inasmuch as of all the great extension of territory acquired by the adjoining nation, by virtue of the treaty of February 2d, 1848, only in the State of Texas did slavery come to be established, while California, Nevada, and all the other States which were formed from the territories ceded by Mexico, became free States, which fact put an end to the predominance of the southern States in the North American Union.

121. In that sad period the United States urgently exacted the payment of claims of North American citizens against Mexico. Before the war, the 11th April, 1839, an agreement was entered into for the liquidation of those credits in which, contrary to that of July 4th, 1868, claims of the United States citizens against Mexico only were admitted, and not those of Mexican citizens against the United States. On the 30th of January, 1843, another treaty was signed in this Capital for the same object. Besides the indemnity given Mexico by the United States, in the treaty of February 2nd, 1848, they agreed to pay the amount of claims originating before the date of the said treaty, and finally it was impossible to divide among the claimants all the funds devoted to that purpose, from the fact that several of the claims, on examination, proved to be unfounded.

122. By treaty of December 30th, 1853, the United States succeeded in obtaining still another acquisition of territory from Mexico, and were absolved from the obligation they were under by the treaty of Guadalupe Hidalgo, to prevent Indian depredations on Mexican territory.

123. It is very natural that after events so grave, and of such important results for Mexico, the impressions and feelings prevailing in this country towards the United States should not be the most favorable or friendly; it was natural that the preponderance of the then governing power in the United States should be looked upon here with distrust, and that the fear should be entertained that those who might follow those then in power should endeavor, without sufficient cause, to provoke difficulties, resulting in new segregations of Mexican territory, for the establishment of slavery and preservation of political equilibrium. It ought not, then, to be esteemed strange, that the disposition held towards the United States, from 1810 to 1835, should undergo a change in 1848.

b. Public opinion of Mexico after the French Intervention.

124. In the year 1861 events began to be developed which were almost as important for Mexico as for the United States. The pro-slavery party, having lost its political power on the election of Abraham Lincoln to the Presidency, conceived the project of forming an independent nation of the slave States, which project was vigorously opposed by the rest of the Union, and this caused four years of civil war, which will be memorable in the annals of the world, as well for its magnitude as for the importance of its results. The late Emperor of the French, taking advantage of the time when the United States could not oppose his conquests on this continent, brought upon Mexico the foreign intervention which turned out so badly for him and afforded Mexico the opportunity of establishing truly cordial relations with the United States.

125. In fact, during the war of intervention that Mexico sustained with France, which intervention was an act as directly hostile to the United States as to Mexico, and after the triumph of the Union cause in the adjoining nation, that government pursued a friendly and energetic policy in our favor which soon brought the war to a happy termination. During that intervention, and particularly after the termination of the civil war in the

120. War of the United States against Mexico in 1846 and 1847.

121. Agreement made with the United States, April 11th, 1839, for the payment of credits.

122. New acquisition of Mexican territory by the treaty of Mesilla.

123. Public opinion in Mexico in consequence of these events.

124. War of secession in the United States, of the intervention in Mexico.

125. Sympathy and moral help of the United States towards Mexico during the war of intervention.

United States, the people of that nation turned their earnest attention to the Mexican question, and showed the liveliest sympathy in favor of our cause—a cause which, although ostensibly only of interest for Mexico, at the bottom affected the American Union as well.

126. Happily for the United States and for Mexico, the Republican government, which has ruled in that nation since 1861, redeemed its country from the foul stain of slavery, the defence and propagation of which was the principal motive for desiring the annexation of Mexican territory to the United States, and with the disappearance of which has ceased also, the danger which existed before on this point. The Mexican Government, and almost every thoughtful and sensible man in the country, have comprehended clearly this situation, and seeing no immediate danger of difficulties with the United States, they, on the contrary, entertain feelings of gratitude towards the American Union, for the kind services rendered to Mexico during the French intervention, and they are animated with the liveliest desire to cultivate and draw closer the official, social and mercantile relations with that nation, judging this to be one of the means of obtaining the progress and development of Mexico. The educated and intelligent portion of this nation considers that the creation of North American interests in favor of the integrity and independence of this country, is the best means of avoiding future dangers, and that the most efficacious way to obtain this desirable result is to further commerce and the investment of North American capital in Mexican enterprises.

127. The profound conviction that there predominates in the great majority of the North American people a sober spirit of justice and practical wisdom contributes in a great measure to remove from the minds of the public men of Mexico the fear of the United States again adopting the aggressive policy against this country which characterized the now remote epoch to which reference has incidentally been made; another consideration of equal importance is, that the propriety of a frank and fraternal policy towards Mexico must be apparent to the good sense of the American people, if they wish to preserve their high and respectable position before the world, and continue on in their majestic career of progress and development. On arriving at the greatness of their power, they must feel the innate necessity of wisely and rightly guiding certain dissimilar and even antagonistic interests which have been forming from its rapidly increasing population, spread over such a vast and fertile territory. For example, agriculture needs a low tariff, and manufactures demand a high one, and from the antagonism of the varied aspirations and legitimate needs of diverse classes in distinct and powerful sections of the country, the necessity of a policy tending to preserve national unity must be apparent to all, and such a policy must flee from undertaking the venture of trying to assimilate an entirely heterogeneous population; because, even under the supposition that it could be easily realized, the very success of its attainment would be likely to encourage those elements in the United States which desire the dissolution of the Union.

128. These ideas of peace, friendship and confidence on the part of Mexico towards the United States, which have prevailed here since 1865, and have been daily growing stronger, must necessarily be somewhat affected by the events which will be now spoken of.

c. Present State of Public Opinion in Mexico.

129. The object of this work, as has been already indicated, is partly to state frankly the difficulties there may be in the way of developing the commercial relations between Mexico and the United States, in order that for the welfare of both countries they may be removed, and this object would not be fulfilled if no mention were made of the impression produced upon public opinion in Mexico by the course pursued towards this country by the present Administration of the United States.

130. It can be confidently stated that the fraternal policy shown by the United States during the French intervention, and the grateful sentiments of the Mexican people, almost extinguished the motives for coldness and shyness which the events just spoken of, and particularly the war of 1846 and 1847, had sown in Mexico; but we have to affirm that the course pursued towards Mexico by the present Administration of the United States has caused a revival of the fears which had almost completely disappeared.

126. The Cessation of slavery in the United States has removed the principal cause for desiring the annexation of Mexico.

127. The danger of the dissolution of the United States removes the fear of new aggressions against Mexico.

128. The present state of public opinion is unfavorable to the policy pursued by the present Government of the United States towards Mexico.

129. Necessity of speaking of this matter.

130. Way in which the policy pursued by the present Administration of the United States has affected public opinion in Mexico.

131. The Administration of Sebastian Lerdo de Tejada terminated on the 20th of November, 1876, by his departure from this capital towards the Pacific Coast. On the 4th of January, 1877, he embarked at the bar of Zihuantanejo for Acapulco, and there took, on the 25th of the same month, a steamer of the San Francisco line for New York, where he arrived on the 4th of February following.

132. Jose Maria Iglesias, who, as President of the Supreme Court, had proclaimed himself the legitimate President of the Republic, had also to leave in consequence of the turn political matters had taken, and he embarked at Mazatlan January 17th, 1877, arriving at San Francisco on the 25th of the same month.

133. Very early in 1877 the two public men, either of whom could claim certain rights to be considered as the legitimate Chief of the Government of this Republic, had arrived in the United States, and that nation could not be ignorant of this, nor of the fact that the only constituted authority in Mexico recognized by the nation was that of the present Government.

134. The constituted authorities and the armed forces that had recognized the one or the other of those two administrations submitted themselves to the Provincial Government represented by the actual President of the Republic, before the exit from the country of those two leaders, or after notice being received of their embarkation for foreign lands; so that in January, 1877, the only constituted Government in Mexico recognized by the entire nation, without exception, was that represented by the actual President of the Republic.

135. In some cases when there have been two or more Governments in Mexico, each one exercising authority over a more or less extensive portion of territory, the United States have followed the custom of recognizing as legitimate the one having a constitutional title; but whenever there has existed in Mexico but one Government in undisputed power, the United States, as well as all other nations, have recognized it as legitimate, without setting themselves to investigate its origin. This was probably the feeling of the late Administration of the United States, when, as has been assured, it was decided to authorize its Representative in Mexico to recognize the Government of Porfirio Diaz, and this before he was invested with a legal right by the election of February 12th, 1877. But on the 4th of March of the same year the late Administration of the United States came to a close, and after the inauguration of the present one it was not thought proper to make the recognition.

136. On December 23rd, 1876, there was issued a general call, according to the Federal Constitution, for the elections to form the Mexican Congress and for President of the Republic, and on the 5th of May, 1876, the constitutional Administration, resulting from these elections, was installed. By virtue of these events, therefore, all motive for delaying the recognition of the established Mexican Government had ceased, but notwithstanding this, the United States Government did not recognize it till April 9th, 1878—that is, about a year after the establishment of the present constitutional Administration, and without appearing to have any ostensible motive. Notwithstanding this lack of official recognition, the Mexican Government was virtually recognized, by the fact of the solicitation for the arrangement of delicate and important questions pending between the two countries.

137. This unwarranted delay to recognize a Government legitimately constituted, and universally recognized in Mexico, has been interpreted as a proof of hostility against Mexico by those who see serious and imminent danger in the preponderance of the United States, and as a symptom of some other motive, probably distinct from what this conduct would infer.

138. Another event which has contributed to feed these fears, and to cause a reasonably founded motive of displeasure on the part of Mexico, is the order of the 1st of June, 1877, from the United States War Department, empowering General Ord, Chief of the military forces on the Rio Bravo Frontier, to authorize the passage of the United States forces into Mexican territory, in pursuit of Indians or marauders, whenever he should think proper, without regard to the consent of the Mexican authorities, and in violation of the rights of sovereignty of this country, recognized by the United States themselves. On various occasions the United States forces have passed over into Mexican territory, in compliance with this order, being an hostile proceeding on the part of that nation, which, under given circumstances, might be a cause of grave and transcendent difficulties between the two countries. At a time when the United States Government has repeatedly recognized the present situation on the

131. Close of the Government of Sebastian Lerdo de Tejada.

132. Termination of the political movement of José Maria Iglesias.

133. Both chiefs left Mexico and sought refuge in the United States.

134. The Army and the whole country recognized the Government of Porfirio Diaz.

135. Conduct of the United States in recognizing the *de facto* Government in Mexico.

136. The United States did not recognize the present Mexican Government until April 9th, 1878.

137. Effect which the delay of recognition on the part of the United States produced in Mexico.

138. The Order of June 1st, 1877, for the passage of the United States troops into Mexico is a hostile proceeding.

frontier to be better than before, and when the Mexican Government has manifested to the United States, its disposition to authorize the passage of troops, upon reciprocal bases and proper conditions, the continuance of the said order for more than eighteen months has tended to confirm the opinions of those who consider the United States as harboring feelings of hostility towards Mexico, and as seeking motives or pretexts to raise difficulties between the two nations.

139. The fact that the United States are as little known here as Mexico is in the United States, has also partly contributed to the formation of erroneous opinions in this country regarding that Republic. The numerous educated, enterprising, industrious and philanthropic classes of the United States, which form a large majority of that nation, and which highly honor it, have been but little known to the generality of the Mexican people. It ought not, then, to appear strange, that in this country, in many cases, even by intelligent citizens, the United States cannot be appreciated, nor social, political and commercial relations with that Republic be properly valued. An intimate and reciprocal acquaintance, therefore, of the two nations, would contribute more than ought else to dissipate the bad impressions that may now be existing, by opening up a broad field to a good understanding between the two people.

140. It is to be hoped that the visit to this city of a commission of northwestern manufacturers, and of other North American citizens, who are now in our capital, may, among other good results, bring the popular masses of Mexico into practical acquaintance with the manufacturing classes of the United States; and that it may also contribute to efface in that nation some errors in regard to Mexico.

B. Propositions of Senator Morgan and Speeches of Representative Chavero.

141. The Report cites two incidents to prove the state of public opinion in Mexico in regard to the neighboring nation; the first relates to the propositions presented in the United States Senate by Senator Morgan, and the second to the speeches delivered by Representative Chavero in the House of Representatives of the 8th Congress, and upon the opening of the 9th. Each one of these incidents will be spoken of separately.

a. Propositions of Senator Morgan, of Alabama.

142. The Report states that, during the last session of Congress Senator Morgan, of Alabama, presented a series of propositions of the most friendly character towards Mexico, on the political and commercial relations of the two countries, which, in consonance with the dominant idea of American capitalists before referred to, advocated, among other things, the following resolution: 'it is advisable to provide, by means of a treaty, for the protection and encouragement of the citizens of both countries, who, with the consent of the Mexican Government, may undertake the construction and equipment of a line of railway from the city of Mexico to the Rio Grande.' The Report further states that, 'on the publication of this proposition here, it was denounced as a proposition to establish an American Protectorate in Mexico, with the prospective design of annexation.'

143. The quotation made in the Report, of the propositions regarding relations with Mexico, presented in the United States Senate in May, 1878, by the Senator from Alabama, John T. Morgan, afford an opportunity to show that the said propositions, and particularly the speech in which they were presented, demonstrate the correctness of the estimates expressed in the present document.

144. The text of the propositions presented by Senator Morgan is as follows:

"Whereas, The people of Mexico, animated by a love for free Government which distinguishes the people of the United States of America, have long adhered to the Republican form of Government, as that which is best suited to preserve their liberties, and have maintained their free Republican institutions with an honorable devotion to their principles, which merits the sympathy and regard of the American people; and

"Whereas, The most essential interests connected with the welfare and prosperity of the people of both Governments, in their various relations, require that permanent peace should be maintained between them, and that confidence, good-will, intercourse, and liberal reciprocal advantages of trade and commerce should be established;

139. The lack of knowledge of the two countries produced erroneous opinions which will change with mutual acquaintance.

140. It is to be hoped that the visit of the manufacturers of Chicago will contribute to the acquaintance of the two nations.

141. Incidents of the propositions of Senator Morgan and the speeches of Representative Chavero.

142. Judgment of the Report on the incidents of the propositions of Senator Morgan.

143. The propositions of Senator Morgan support the conceptions of this communication.

144. Text of the propositions of Senator Morgan.

"Be it Resolved by the Senate, (the House of Representatives concurring therein.) 1. That on defining and settling by treaty the relations of the United States of America with the Republic of Mexico, it is just and expedient, and in accordance with the interest which the people of the United States have in the maintenance of the right of self-government on this continent, that the present boundaries between Mexico and the United States shall be guaranteed as permanent and inviolable.

"2. That it is proper that both Governments shall engage that the territory of either shall be protected against conquest by any power residing beyond the seas.

"3. That it is expedient that liberal provision shall be made by treaty to secure to the people of both countries the equal and reciprocal advantages of intercourse, trade and commerce with each other; and that to increase the advantages of such intercourse, and to place upon a stable footing the peace and friendship of the two Republics, it is expedient that such mutual agreements shall be entered into as will protect the borders of both countries from the predatory raids of bands of outlaws; and that persons who are citizens of either country, resident in the other, shall enjoy the rights of hospitality secured to the citizens of the most favored countries, and shall be free from all unlawful interferences with, or arbitrary exactions and assessments upon, their persons or property.

"4. And it is also expedient to provide for the protection and encouragement of such citizens of either country as shall, with the consent of the Government of Mexico, build and equip a line of railroad from the City of Mexico to the Rio Grande, in the direction of San Antonio, in Texas, or to any point on the borders of the United States, to connect with a line or lines of railroad at the boundary between the United States and Mexico; and to secure the safe transit of the citizens of each Republic and their property over such line or lines of railroad within the territory of each country, such commercial regulations as shall from time to time be agreed upon by the respective Governments."

145. The tenor of these propositions indicates plainly that Senator Morgan had an intelligent comprehension, that while fears existed in Mexico of the United States following an aggressive policy, looking to the obtaining of new acquisitions of territory, some indications which might be interpreted as pointing to the carrying out of that policy would be viewed with distrust; and that he believed it best to begin to remove every motive of distrust and fear, in proposing that the United States should solemnly covenant not to change the present limits of Mexico, nor to consent to their being changed by any other nation. This idea prevails throughout the speech in which Senator Morgan presented his propositions, on the 15th of May, 1878.

146. Senator Morgan recognizes that Mexico is not without a motive for feeling distrust towards the United States, in the following words:

"Mexico is not destitute of a cause to look with a jealous eye upon the people of the United States, while on our part we have the greatest reasons for treating her with a generous and magnanimous spirit."

147. The propositions of Senator Morgan to the United States Senate, as well as the speech in which he presented them, were published in Spanish by the *Monitor Republicano*, a political newspaper of this capital, of the 25th, 26th and 27th of June, 1878. In commencing to publish the speech, this periodical said in regard to it as follows:

"*Mexico and the United States.*—Under this title we begin to-day to publish a translation from the 'Journal of Debates' of the American Congress a speech delivered by Senator Morgan, at the session of May 15th. We recommend this speech to our readers, as it contains, mixed with some erroneous estimates, some ideas which are worthy of the consideration of our Government in treating with the United States upon questions of the frontier."

148. No allusion or reference to this matter has been found in any other periodical of that time, neither has any mention of it been found in the discussion held in the House of Representatives in considering the contract entered into with Messrs. Sullivan and Palmer for building an international and inter-oceanic railway, in which allusion was made to the relations between Mexico and the United States. There could not, moreover, have been any mention of it in that discussion, because the principal part of said discussion took place before Senator Morgan's speech. It is not easily understood, then, on what foundation the report asseverates; that on the reception here of Senator Morgan's proposition it was denounced as a proposition which had in view the establishment of an American Protectorate in Mexico, with the prospective design of its annexation.

149. It is possible that some newspaper or some public man in Mexico may have commented on those

145. Senator Morgan comprehended the propriety of the United States allaying the fears of Mexico.

146. Senator Morgan acknowledges that Mexico has reason for jealousy towards the United States.

147. The *Monitor Republicano* did not consider Senator Morgan's propositions to be aggressive.

148. No allusion to those propositions has been found in the newspapers of that time nor in the discussions of Congress.

149. Even though unfavorable comments may have been made upon the propositions, the Mexican Nation is not responsible for them.

propositions as being unfavorable to the country, and may have even supposed that its object was the final acquisition of Mexico by the United States, but this would not go beyond a mere individual opinion, springing, perhaps, from the unfounded assertion of Senator Morgan, that there exists in Mexico an annexation party, and would in no wise express the opinion of the people, nor of the Mexican Government. In regard to this point, although there may not be an absolute uniformity of opinion in this country, as has been shown, it can still be confidently stated, that the Government and the educated and sensible people of the Republic do not cherish any hostility whatever against the Government and people of the United States.

b. Speeches of Representative Alfredo Chavero, on the Building of Railroads in Mexico by North American Companies.

150. The Report states "the Executive made a contract with an American company for the construction of a railroad from this capital, with one branch to the American frontier and another to the Pacific," but it inserted a provision that the branch to the Pacific *should be completed* before the one to the frontier was commenced. Notwithstanding this proviso, the charter was defeated in Congress by a decided majority, after which the Lower House voted almost unanimously to confer upon the Executive authority to contract for a line to the Pacific only. The reasons given for this action were the bad policy and danger to the country of conferring such privileges upon an American company, and of extending railroad connections to the United States. The arguments presented by the principal speaker, Hon. Alfredo Chavero, one of the most experienced and influential men in the Republic, were that "it was very poor policy, very injudicious, to establish within our country a powerful American company;" that "it is a natural law of history that border nations are enemies;" that nations of the North generally invade the nations of the South," hence "we should fear the United States;" and he closed with the following appeal: "You, the Deputies of the States, would you exchange your poor but glorious liberty of the present for the rich subjection which the railroad could give you? Go and propose to the lion of the desert to exchange his cave of rocks for a golden cage, and the lion of the desert with answer you with a roar of liberty."

151. The Report adds that "the Congress recently elected convened in this city last month, and its first action was to elect the author of the above extracts President of the Chamber of Deputies. And in reply to the address of the President of the Republic, this gentleman took occasion to refer to the action of the previous Congress in rejecting the American charter, claiming that subsequent events had shown the wisdom of that action. If he represents to-day as fully the spirit of the present as he did that of the last Congress—and there is every reason to believe he does—the hope of favorable or of any legislation for a railroad to the American border must be postponed at least two years, if not indefinitely."

152. To duly estimate what transpired regarding the speeches of Representative Chavero on the two occasions referred to, and to show how unfounded are the inferences deduced from those incidents, it is necessary to relate what occurred in both cases, beginning by stating the resolution of Congress respecting the contract entered into with Messrs. Sullivan and Palmer.

§. Contract entered into by the Mexican Government with Messrs. Sullivan and Palmer to build an International and Inter-oceanic Railway.

153. The Secretary of Public Works signed a contract with Mr. James Sullivan, November 12, 1877, for himself and as representative of Mr. William Palmer, for the construction of an International and Inter-oceanic Railroad from the city of Mexico to the United States frontier, and to the Pacific Ocean, and at the session of the same day it was presented in the House of Representatives for its approbation. On the 19th of the same month, November, the respective committee presented their opinion, advising that the contract should be approved. On the 20th the said committee withdrew their opinion, to present it with some slight modifications on the 22d. The discussion of this subject was commenced December 4th, and was not concluded in all the sessions up to the time Congress closed on the 15th of the same month. When Congress re-opened April 1st, 1878, the House of Representatives took up the discussion of this subject for several days. In the session of the 11th of May following the opinion of the committee, which advised the approval of the contract, was generally approved, by 69 against 62 votes. The discussion of the particulars of that opinion was then continued according to rule, and during that discussion Mr. Chavero delivered, May 22d, his speech to which the Report alludes.

154. The Report comments on the stipulation of this contract that the Pacific branch should be finished

150. Opinion of the Report regarding the action of Congress about the Sullivan-Palmer Contract.

151. Conceptions of the Report on the opinion of the Ninth Congress regarding the same Sullivan-Palmer Contract

152. Need of relating what occurred in Congress about the Sullivan-Palmer Contract.

153. Review of what took place in the House of Representatives respecting the Sullivan-Palmer Contract.

154. Ideas of the Report respecting the building of an interoceanic railway before the international one.

before the branch to the United States, as a demonstration of fear or distrust towards the building of a railway to the adjoining nation. The inference of the Report on this point appears to be without foundation. The Mexican Government, taking into consideration the advantages for the commerce of the world which the Inter-oceanic line would enjoy, esteemed it of greater importance than a line to put the interior of Mexico in communication with the United States. Even though this should be an erroneous estimate of the comparative importance of the two lines, it could not be considered as springing from any hostility to the United States, nor as a child of the fear of being put in communication with them. If such had been the case it would have preferred not to have entered into any contract for a line to the United States frontier, but, on the contrary, it has contracted for such a line on various occasions, and by distinct administrations. Two concessions to American companies for an international line from this city to the frontier can be enumerated, and two for an international line between El Paso or Presidio del Norte and Guaymas, bearing in mind that the last concession in reference to this enterprise, was decreed June 19th, 1877, by the 8th Congress, before which Representative Chavero delivered his speech, on May 22d, 1878, alluded to in the Report.

155.—It is true that the members of the respective Committees of the House of Representatives, being aware of the difficulty of concluding the matter of the Sullivan-Palmer railway in the few days that remained of the last term of sessions, they, the 1st and 2nd committees on industry of the House, by virtue of the extension of time authorized by the interior rules of the said House for securing ample debate, presented, on the 29th of May, 1878, the following opinion as a modification of the projected law on the inter-oceanic railway:

“Sole Article.—The President of the Republic is hereby authorized, in the recess of the Houses, to contract for the construction and working of an inter-oceanic railway, under the condition that the grantee shall be obliged to take advantage of lines granted to States, which States will construct them themselves, or by the companies to whom they may give such right. In this way will the Executive count on the good will of the States, and in no case can parallel lines be built to compete with State lines.”

156. A great number of the Representatives concurring with the preceding opinion, presented by the two Committees on Industry, discussion was waived, and it was approved in general the same day it was presented, by 116 to 7; and on the same day also it was approved in detail, by 115 to 12. According to the constitution, a proposed law being approved by one House, must pass to the other for its examination and revision. By virtue of this, the proposed law, which was approved by the House of Representatives May 29th, 1878, passed to the Senate for its revision. The Senate has not yet taken up this subject, and it cannot therefore be considered settled.

157. The real situation of this matter is, therefore, as follows: The House of representatives, in session May 11th, 1878, approved the contract entered into by the Executive with Messrs. Sullivan and Palmer, in its generality. Upon discussing the details of this matter, the discussion was very lengthy, and the two Committees on Industry, on the last day but one before the close of the last term of sessions of that Congress, presented a proposed law, in which it was suggested to authorize the Executive to contract for the construction of an inter-oceanic railway, in harmony with the power given the Executive to enter into railway contracts with the State Governments. This proposed law was approved by the House of Representatives May 29th 1878, and it passed to the Senate for revision, where it still remains, as yet undetermined:

158.—Another Representative, Mr. Gutierrez Otero, presented the following proposal to the House of Representatives the same day, 29th May, 1878, with the same object as the one already presented.

“The Executive is authorized, during the recess of Congress, to make contracts for the building and equipment of a railway, with a telegraph, which shall be exclusively an inter-oceanic line, and which, starting from a Mexican port on the Pacific Ocean, shall cross the territory of the Republic, and terminate at a point on our coast in the Gulf of Mexico, with the understanding that the grantee shall immediately and satisfactorily guarantee the execution of the work; that he shall not establish any parallel or competing line with those which have been already granted by the States, and which may be situated on the route determined upon, but rather shall contract those lines with said States, if they should wish it, or shall avail himself of them, if the States prefer to build them themselves by forming small separate companies, or by companies already formed.

“In the event that the inter-oceanic line should be surveyed by a different route from that of lines granted to

155. The project of a law presented by the Committees on Industry for building an interoceanic line of railway.

156. This project was approved by the House of Representatives on the 29th of May, 1878.

157. The definitive resolution of the Sullivan and Palmer Contract is still pending in Congress.

158. Project of a law of Representative Gutierrez Otero with the same object as the proposition of the Committees on Industry.

the States, then said line shall terminate in the Capital of the Republic, connecting with the Vera Cruz line with the same gauge.

"The Executive will endeavor to obtain in exchange, for the advantages which the enterprise will afford to the commerce of the world, a convenient compensation by establishing equitable rates upon the different articles and goods, as well as on the passages of passengers which may traverse the line from one sea to the other."

159. The author of this proposition asked that it should be put to vote without discussion, and on taking the votes there was no quorum. The House occupied the following day in naming the Permanent Committee, so as to prepare for the close of its sessions without further treating about this proposal, which did not obtain any decision whatever.

160. From what has been stated it would appear that there has been a want of exactness in asserting, as the Report sets forth, that the contract made with Messrs. Sullivan and Palmer was discarded by the Congress of the Union. Neither was the proposition which was presented for authorizing the Executive to contract the building of an inter-oceanic railway approved by the Legislative Body. Both matters are still pending the definitive resolution of the Congress of the Union, and as the present Congress is a different one from that which initiated these projects, there is no motive whatever to venture any opinion regarding the terms upon which it will decide these two important matters.

161. After this contract the Government of Mexico entered into another with the representatives of the creditors of the Republic, to consolidate and arrange the national debt, combining it with the building of a railway from this capital to the Pacific Ocean, which should pass through the centre of the Republic; and as it might be said that by entering into this contract there was no longer a desire to approve the former one, it is proper to bear in mind that in the dispatch remitting said contract with the creditors of the Republic, dated 6th December, 1878, to the Congress, the Department of Finance clearly stated that on entering into this new contract there was no intention whatever to withdraw or to modify the agreement previously made with Mr. Sullivan; and, in fact, the aforesaid communication reads so:

"The President has not forgotten, that on the 12th of November, 1877, he sent to the Chamber of Deputies a contract executed by the Secretary of the Interior with Mr. James Sullivan, on his own behalf, and on behalf of Mr. W. J. Palmer and associates, for the construction of an international inter-oceanic railroad, and that that project, which was accepted by the respective Congressional Committee, and declared in a condition to be voted on in the House, is still pending for resolution. In authorizing the one which the President now sends to the Chamber of Deputies, he has not attempted to retire the former, which he considers compatible with the present, as much because the former treated principally of an international line to put Mexico into communication with the United States, as because the inter-oceanic line which was contracted for in the former could pass under different projects through different places in the country, to the greater benefit of this."

162. Having made these explanations, it is now time to speak of the two speeches of Deputy Chavero, which relate to the contract of the Palmer- Sullivan Inter-Oceanic and International Railroad, and to which the report refers.

§§ *Speech of the 22d of May, 1878, on the Sullivan-Palmer contract.*

163. In order the better to appreciate the sense of Deputy Chavero's speech, pronounced in the Chamber of Deputies of the 8th Congress of the Union, on the 22d of May, 1878, in discussing the contract for the Inter-Oceanic and International Railroad, entered into by the Government of Mexico with Messrs. Sullivan and Palmer on the 12th of November, 1877, it is necessary to lay down its principal features.

164. Deputy Chavero began by manifesting his doubts that Messrs. Sullivan and Palmer could count upon the necessary means to make the road, and even that the capitalists of the United States would wish to invest the necessary sums in the construction of that road. That part of his discourse which refers to this matter says:

"What, then, is the question, so that we may not go outside of the article under discussion, which we ought to examine? It is this: Does it suit the company of Messrs. Sullivan and associates to construct the Inter-Oceanic Railroad?"

159. The House of Representatives did not approve the preceding project.

160. There is no exactness in stating that the Congress discarded the Sullivan-Palmer Contract.

161. The contract of December the 6th, 1878, was not made with the idea of revoking the Sullivan and Palmer Contract.

162. Opportunity of speaking of deputy Chavero's speeches on this matter.

163. The propriety of laying down the principal parts of the speech of May 22d, 1878.

164. Deputy Chavero doubts that the grantees count upon the means for building the road.

"I have about this, as I have said, a doubt—a doubt and a fear, and I am going to express them to the Chamber with entire frankness. The doubt is this, sir: that there is no such company; that it has not, commercially speaking, a real existence; that it has not the millions necessary to construct the railroad, and that we are simply going to give a title, to be taken from market to market abroad, so that we may go on losing more and more our credit and our honor; so that we may go on losing more and more our prestige, without any one receiving us to-morrow in the foreign markets. Hence, sir, I think it difficult, if not impossible, that an American company like the present one could have sufficient money, the millions necessary to construct a railroad, which, as the Committee has said, is going to embrace all the principal capitals of our Republic; and I doubt it, sir, because the railroads constructed in the United States have not been built with American money; the three-quarter parts value of those roads having been constructed with English money. And would it be possible that an American company should bring its money into Mexico, when they do not wish to employ it in their own country for the construction of railroads? The Americans are more given to other business, that produces money sooner. So it is that always, when railroads have been constructed in the United States they have applied to foreign markets. It is not, then, from the United States whence money can be brought out by this building company."

165. Following this, Mr. Chavero manifested the enthusiasm with which the Chamber of Deputies received the said contract, in these terms:

"I have seen, with real pleasure, the enthusiasm of the Deputies of the States. It seems to them as if the railroad already traversed their broad territories; that already agriculture produces great quantities of cereals, which come to our doors, so that they may not be exported abroad. They see the greatest activity in mining business; industry is developed in a powerful manner; and as they believe that this will come to pass within five years, they are enthusiastic, and with reason. But can they believe that within five years this must happen through a company that has no associated capital? Through a company that must go begging this capital in the market? As for me, sir, this is what is in the United States called humbug; and among ourselves, with less politeness—a lie."

166. Mr. Chavero, referring further on to the actual views of the United States Government, with respect to the establishment of the present administration in Mexico, to which affair he had alluded in another place, spoke as follows:

"I do not fear to speak of the American question. In the United States Senate they speak of our questions, and they are neither more courageous nor have they more right than we to treat them."

"At this moment the United States have *slight* difficulties with us; Messrs. Deputies will see that I am kind, and I call them slight. It is very possible that in the future they will continue having them; that they will have even more grave difficulties. The whole nation has seen the attitude taken by the United States at the change of the situation, and how much time has passed to bring about the recognition of our Government; and they did it, not through good will, but because a Senator named Conkling, an enemy of Mr. Evarts, to oppose him, and not through our suggestions, moved for the recognition of our Government. Thus an inferior question of opposition on the part of Mr. Conkling, to a transaction on the part of Mr. Evarts, produced this recognition; it was neither liking nor the acknowledgement of justice on our part that produced it.

"It is necessary to tell all the truth, and it is known that the difficulties are still pending."

167. The portion of Mr. Chavero's speech of which the report makes most says:

"There are two terrible lessons in history—lessons that are never to be forgotten. The first is this: neighboring peoples are natural enemies. An English writer has said: 'Happy Great Britain, which has no frontiers other than the sea.' And without referring back to history, but looking at contemporaneous facts, who wrested a slice of territory from France? The neighboring people, Germany. Who, in these moments, invades Turkey? The neighboring people, Russia. Why is a war being prepared between England and Russia? For the neighboring possessions of Asia, possessions of England and of Russia."

"There is, besides, another law in history; the peoples of the North necessarily invade the peoples of the South. Read the history of the emigrations of the different races, from the pre-historic times, and the peoples of the North will always be seen tending towards possessing themselves of the peoples of the South. Unfortunately we do not need to recur to foreign histories; a rich portion of our territory has been the prize of the United States. And do we not wish to learn—do we not wish to open our eyes? If, then, history teaches us

165. Mr. Chavero expresses the enthusiasm with which the Chamber of Deputies received the Sullivan-Palmer Contract.

166. Opinion of Deputy Chavero of the conduct of the present Administration of the United States towards Mexico

167. Text of the speech of Deputy Chavero, which is cited in the Report.

to fear the United States, what should we wish to obtain? To make ourselves strong. What should we wish to bring about? Union among ourselves. What should we wish to do? To advance, and advance in a manner which shall have no dangers for us, not by establishing in our territory an American company which will have a most powerful influence.

"You, the Deputies of the States, would you change your beautiful though poor liberty of the present for a rich subjugation which could give you the railroad? Go to the lion of the desert and propose to him to change his lair in the rocky cave for a gilded cage, and the lion will answer with a roar for liberty."

168. From the fragments of the speech of Deputy Chavero, which have just been cited, it clearly appears that his objections against the contract celebrated between Messrs. Sullivan and Palmer for the construction of an International and Inter-Oceanic Railroad do not consist exclusively in the danger that might happen to Mexico in being placed in communication with the United States by means of a railroad, as might be understood from the terms of the report, but they originated also in the belief of the orator that the grantees could not command sufficient capital to construct the road.

169. It also appears demonstrated that the motives expressed by Mr. Chavero to form an opinion against the said grant, that is, that the United States are neighbors of Mexico, and that they are to the north of this country, do not constitute a special objection with respect to the United States, but only a general principle which would be applied to any other nation which might have, with regard to Mexico, the same circumstances of neighborhood and geographical situation which the United States occupy. Lastly, it appears that the fears inspired in the mind of Deputy Chavero were greatly inspired by the policy followed by the present Government of the United States towards Mexico.

170. Chavero repeated these same opinions, considering them as accepted by the Chamber of Deputies, on a subsequent occasion, as will be shown presently; and this incident also left room for the report to judge erroneously of the public opinion of Mexico with respect to the United States, from which it was attempted to deduce general conclusions from isolated acts, and from the individual opinions of one of our public men.

§§§ *Discourse at the Opening of the Ninth Congress of the Union, on the 16th of September, 1878.*

171. In conformity with article 63 of the Mexican federal constitution, at the opening of each period of Congressional sessions the President of the Republic pronounces a discourse, in which he gives an account, in general terms, to the Legislative Power, of the state of the nation, and this discourse is answered also in general terms, by the President of the Chamber of Deputies; but this answer does not express more than the personal opinion of him who pronounces it, seeing that it is neither discussed nor approved by Congress.

172. In compliance with this rule, at the opening of the first sitting of the present session of the Congress of the Union, on the 16th of September, 1868, the President of the United States of Mexico read a discourse in which he said, with reference to the railroad from Esperanza to Tehuacan, as follows:

"The railroad from Esperanza to Tehuacan approaches completion, having been constructed with public funds, and so economically that its cost will not reach as much as the subventions given to others, and under one of the systems that seems more in harmony with the exigencies of our country and the necessities of our traffic."

173. It is deemed advisable, before going further, and in order the better to understand this matter, to explain what had happened with respect to the railroad referred to in the preceding quotation from the President's address. In consequence of the broken nature of the ground in Mexico, and the copiousness of the rains, the principal roads of the country are frequently thrown out of repair, and outlays relatively strong must be made for their preservation. It is the duty of the Federal Government to keep in order the principal avenues of communication, and the Secretary's office of the Interior Department keeps a corps of engineers along the principal roads for this purpose. The directing engineer of one of these roads—that which shoots off from the line of railroad in the direction of Oaxaca—thought that with the cost of keeping the road under his care in repair, an animal traction railroad might be built. His idea was approved by the Executive, and he commenced the building

168. The objections of Deputy Chavero also consisted in the fact that the Company was not solvent.

169. The objections of Deputy Chavero are not against the United States, but against neighboring nations situated toward the north.

170. On a subsequent occasion Deputy Chavero concluded that his opinions were accepted by the Chamber of Deputies.

171. At the opening of each session of Congress the President gives an account of the state of the Nation.

172. On the 16th of September, 1868, the President alluded, in his discourse, to the Esperanza and Tehuacan railroad.

173. The railroad built by the Mexican Government from Esperanza to Tehuacan.

of a tramway from the Esperanza station to the city of Tehuacan. Seventeen kilometres are already finished; the rails have been received for eight more; and the remaining twenty-six kilometres are being leveled, waiting only for the arrival of the rails to complete the road.

174. Deputy Alfred Chavero, whose duty it was, as President of the Chamber of Deputies, in replying to the Presidential address, spoke to the following effect upon this subject:

"The railroad from Esperanza to Tehuacan is not the least among unquestionable benefits, constructed as it was with public funds, and with such economy that its cost will not reach the subvention accorded to others. This will serve us as a lesson in the future, so that we may not compromise the interests of the Republic through inconvenient concessions; and this will serve also to justify the judicious conduct of the last Chamber of Deputies in the business of the Palmer-Sullivan railroad."

175. It is proper to observe, before everything else, that the President of the Chamber of Deputies in Mexico is not a functionary equivalent to the Speaker of the House of Representatives of the United States. The latter remains in the discharge of his duties during the whole session of the Congress which elects him, while the former is chosen on the last day of each month, and his duties last only for the period of a month, or fifteen days when the session begins in the middle of a month; and it has even been seen that on account of political combinations and the interests of the parties, sometimes persons have been elected who were far from representing the opinion of the majority, even in questions of vital political importance, much less in other points not political actualities, and which do not form the basis of any of the parties into which the Mexican nation is now divided.

176. For the rest, it is to be understood at once that the object of Deputy Chavero, in his discourse of the 16th, of September, 1878, was to sustain, upon a solemn occasion, the opinions which he held expressed in the Chamber of Deputies at the discussion of the contract made with Messrs. Sullivan and Palmer, and to consider them as accepted by that Chamber.

177. The fact, then, of Deputy Chavero having expressed certain opinions with respect to the construction of railroads in Mexico by companies from the United States; and the fact that after having expressed those opinions he was elected President of the Chamber of Deputies for the fifteen days included between the 16th and the 30th of September, 1878, does not by any means prove that the Government, or the people of Mexico, or the same Chamber of Deputies of the Eighth Congress of the Union, before which Mr. Chavero pronounced the discourse alluded to in the Report, had in general approved the contract entered into with Messrs. Sullivan and Palmer by a vote of 69 against 62. Perhaps this contract would have been approved with much less difficulties if it had not been feared, on the part of many, that the contractors did not command sufficient means to build the road; which fear was, to a certain degree, the settled opinions of respectable persons.

178. Notwithstanding the discourse of Mr. Chavero, the same Chamber of Deputies of the Ninth Congress of the Union, which had elected him its President during the first fifteen days of the former period of its sessions, approved, on the 11th day of December, 1878, by a vote of 104 against 15, the contract made by the Executive with Mr. Hayden H. Hall, a citizen of the United States, for the construction of the inter-oceanic railroad of Tehuantepec, as will be seen further along.

179. There is, therefore, no grounds to believe that Mr. Chavero had been elected President of the Chamber of Deputies on account of his peculiar manner of thought with respect to the building of a railroad to the United States; but, on the contrary, it may be assured that his opinions in this direction had no influence whatever in his election.

d. Consequences Resulting from the Preceding Facts.

180. What has been done thus far is to demonstrate that the Mexican nation harbors no sentiments of ill-will, and far less of hostility, towards the United States; although this does not prevent that in some circles; and on the part of some cultivated men of good political position, there is harbored, if not hostility, against the

175. The President of the Chamber of Deputies in Mexico is not the same class of functionary as the Speaker in the American House of Representatives.

176. Deputy Chavero repeated his opinions, and gave them as having been accepted by the former Chamber.

177. This opinion of Deputy Chavero is not that of either the Chamber of Deputies, or of the Mexican Executive.

178. The Chamber of Deputies generally approved the Tehuantepec railroad grant to Mr. H. H. Hall.

179. Mr. Chavero was not elected President of the Chamber on account of his opinions about the international railroad.

180. The conclusion of the Report, with regard to public opinion in Mexico being against the United States, is not well grounded.

neighboring nation; yet lukewarmness, emanating from a fear that she intends to make new dismemberments of Mexican territory. It ought not to appear strange that such opinions are formed and expressed in the use of the liberty conceded by our Constitution to manifest by word or in print all opinions, until sometimes ideas of the same sort are adverted to in Congress; but it would be unjust to make the Government and the Mexican nation responsible for these manifestations, which it is not possible to suppress, and which do not express the opinion of the country.

181. Because there may be, then, some who see with fear the propositions of Senator Morgan, of the State of Alabama, on account of believing that their object is the absorption of Mexico; because there may be a Deputy who sees a danger to Mexican nationality in its ties with the United States, by means of railroads, does not prove that the Government or the Mexican people participate in these sentiments; just as in the same when in the United States Mexico is spoken or written against, those manifestations are not judged as emanating from the Government, nor as the sentiment or opinion of the people of North America.

182. The succinct and exact exposition of the actual state of public opinion in Mexico and the explanation which has been given of the acts of the Chamber of Deputies, with respect to the construction of the international railroad, and the speeches of Deputy Chavero about this matter, demonstrate that the conclusion in the Report is not well grounded in saying that the former is adverse to the construction of railroads from this capital to the United States frontier. It is true, as has already been shown, that some persons consider dangerous the construction of railroad lines to the United States; but the generality of the country, and especially the present Government of Mexico, and some of her former ones, far from entertaining these ideas, believe that the building of these lines would be precisely one of the most secure and efficacious means of promoting the development of this nation, and of avoiding, at the same time, future complications and difficulties between the two Republics.

183. What would be thought in the United States if the representative of Mexico at Washington should take note of what sometimes may be said in Congress about Mexico, now on account of party interest, now because of prejudice, or again through want of a knowledge of the true condition of this country, and that he should present an individual opinion as the sense of the Government of the United States, and of the cultivated classes of that society? If the exposition of ideas with regard to Mexico should by accident refer to what in the United States is called "manifest destiny," and which implies the idea of the complete and immediate absorption of Mexico and all the other nations on the North American continent by the United States, could it be believed, then, in Mexico, that the United States was seriously occupied in procuring the absorption of our country and of the others which occupy this hemisphere? Such conclusion would be as much in error as those deduced by the Report from the fragments of the speech of Deputy Chavero, which has already been alluded to.

184. As for the rest, the Report itself takes charge of demonstrating the importance which it gives to the opinions of the Deputy Chavero, and that it does not consider them as the expression of the national opinion when it says that: "The politicians of the country know so well the popular sentiment upon this point, that when it is convenient for them, they never fail to appeal to it with notable result in Congress." If some politicians in this country, as in some others, appeal to this method for the purpose of making an impression, it proves that in such cases the parties have no confidence that among the cultivated classes of the country the ideas which they propagate will prevail, but only among the masses; because, if it were otherwise, the politicians would not have to recur to this means of causing an impression, but they would limit themselves to express and sustain in a loyal manner their opinions, which would find echo in the sensible opinion of the country.

e. There is no difficulty offered on the part of Mexico to the construction of the International Railroad.

185. From what has been set down it appears that there is no ground for believing that on the part of Mexico there are any difficulties offered to the construction of an international railroad, which would put her in immediate connection with the United States.

186. If all the Administrations which have succeeded each other in the country since 1865 to this date, no matter how much they may have differed in other points, have been agreed in the system of making contracts

181. There are some circles, and persons, having lukewarmness, but not hostility toward the United States.

182. There is no hostility, on the part of Mexico, to the building of the international railroad.

183. In the United States, opinions contrary to Mexico are also adverted to.

184. The Report itself demonstrates the transcendancy of these conclusions, when it says that the politicians know how to use this weapon.

185. There are no grounds to believe that on the part of Mexico there is any difficulty in the way of the international railroad.

186. Past Administrations have given various concessions for the construction of this road.

with North American companies for the construction of railroads, now from one point to another of the Mexican nation, and again to the frontier of the United States; if all the Mexican Congresses that have succeeded each other from that time have approved, ratified and extended these concessions, as will be made apparent while speaking of the concessions made to North American companies, it is clear that the opinion cannot be sustained that the generality of the public men in Mexico consider dangerous the construction of railroads which would put this country in communication with the United States.

• 187. In case any of the persons or companies which have asked for concession from Mexico, should not possess any capital or respectability whatever, but have only accepted them in the terms offered solely with the purpose of speculation, and being sure of their inability to realize their engagements, which inability can be tested without much risk, if as the Report states, the solicitors have generally believed unacceptable the grants in the form deeded by the Mexican Government, then nothing would have been lost in not having made these grants, and this must not be considered as an act of hostility from Mexico against joining its railways with the railways of the United States.

188. With better reason might it be said, that now there is greater facility than has hitherto been had for the construction of the International Railroad. In fact, according to what is mentioned in the Report, the Southern Pacific Railroad has already reached Fort Yuma, and is almost on the frontier of the United States and Mexico. The International Railroad of Texas has already got to San Antonio, and that of Denver approaches in the direction of Paso del Norte. It is already considered certain that these three lines, or some of them, as trunks, or as branches, as in one or the other case might be required, will be prolonged to the Mexican frontier, to increase traffic and business in the market of Mexico. If, then, the construction of a railroad line, isolated, from one point in Mexico to the frontier of the United States, could be considered difficult or impossible, because the traffic necessary to sustain or make it lucrative does not actually exist, this danger will no longer exist from the moment in which lines are found already constructed, or about to be so, which, without any reference to the Mexican market, but for the business that could be done in the territory of the United States, have already touched, or are about to touch, our frontier.

189. If it were propable, or even certain, that a line could not be built, for example, from Paso del Norte to Chihuahua, or from Laredo to Monteray, because of fears that the present traffic would be insufficient to sustain it and pay a moderate interest on invested capital, it is clear that if these lines were only branches of a system which would serve to put in communication some of the principal populations of the United States, or their coasts of the Atlantic with those of the Pacific, the line would be lucrative, and its construction might be undertaken as a secure method of augmenting the traffic of the principal lines, with respect to which those that should be constructed in Mexican territory might be considered as branches. This consideration greatly augments, therefore, the probability of the construction of railroads in the Mexican territory, with a direction towards the United States. The same American companies consider not only probable, but certain, the proximate construction of some of these railroads.

3. SUBVENTION TO RAILROADS.

190. The Report also refers to the possibility of Mexico paying the subventions which she contracts, on account of the financial situation of the country, its extreme poverty and the great existing difficulties to make the most urgent outlay; deducing therefrom that it is impossible to pay the subvention which would be contracted with the company undertaking the construction of railroads from Mexico to the United States.

191. With respect to this point the Report sets out with this supposition: "First, That the capital to construct the road should come principally from abroad; and, second, that no road can be constructed, or will be constructed, without a subsidy from the Government, in whatever form it may come." It says, that the writer "Will have occasion to demonstrate further along, that Mexico is impoverished in such a manner, in consequence of a long series of revolutions, that she is entirely incapable, of her own effort, to undertake any great work of public improvement; and that it is an acknowledged fact among all intelligent Mexicans, that capital for a railroad towards the United States must come from the neighboring nation, or through it." It adds: "The subsidy is necessary to induce any solvent company to undertake the work;" and that "This, which may be set down as a general principle, is particularly correct in the present instance, seeing that the road must pass over great deserts of an uninhabited country." And it terminates by the assurance that, "After it is finished,

1-7. The not giving of concessions to non-solvent companies does not show any want of will on the part of Mexico.

1-8. The proximity of American lines to Mexico, renders the construction of the international railroad more probable.

189. Railroads to the frontier would be lucrative when interlaced with those of the United States.

190. Subvention to railroads constructed in Mexico.

191. The Report considers a subvention indispensable to the construction of the international railroad.

some years will have to pass before it produces much, if it produces anything in addition to the cost of working, as all the traffic of the line is to be created, and that the Mexicans do not hurry themselves in accepting or conforming to new methods." Lastly, it makes some important references to the Vera Cruz railroad, which will be examined in another place.

192. With regard to this matter the following considerations are to be taken into account:

- A. Necessity of the subvention.
- B. The possibility of paying it, and
- C. The form in which it ought to be given.

193. For the greater clearness of the matter, each one of these points will be spoken of separately.

A. Necessity of the Subvention.

194. The Report starts with the supposition that the payment of a subvention is indispensable to the construction of any railroad in Mexico. It is only necessary to say, with regard to this point, that the Government of Mexico has considered it be so at once when it conceded liberal subventions to all the enterprises with whom it has contracted for the construction of railroads. To the English Company, which constructed the Vera Cruz road, it conceded a pecuniary aid equivalent to \$37,000 each kilometre, although paid in various annual sums, and without proportion to the length of the road; and the subventions which the Government has given to the other companies have been from \$7,000 to \$10,000 for each kilometre.

195. For the rest, it ought to be borne in mind that the regions of this country through which the international railroad would have to pass cannot be called deserts, seeing that it would run through a belt peopled by several millions of inhabitants. It is true that it would also pass through some uninhabited places, but their difficulties, even under this aspect, would be less than many others that have been encountered on various lines of railroads in the United States.

196. The United States are precisely the ones who have established the principle that railroads serve to develop the resources of a country, and to the practice of this principle is, in a great measure, due to the prodigious development of the west of the neighboring nation, which is in contradiction to the idea which formerly prevailed, to the effect that no railroad could be constructed excepting in a country already developed. Mexico desires to follow the former example; and those who have tried it in their own country with such good effect should not appear to judge it impracticable in the neighboring one.

197. A single fact will be sufficient to dissipate the fear of the slowness of the Mexican people to accept new customs, which is presented in the Report as another of the difficulties to the construction of the international railroad. Tlalnepantla is a town of 5,000 inhabitants, situated ten miles from this capital. In the year 1874 there were no other regular means of communication between both places than a single stage-coach, which could not contain more than twelve passengers, and which made every day one round trip (going and coming); because even when the stages for Queretaro and other important cities passed there they were nearly always filled with passengers. In 1874 a railroad from this capital to Tlalnepantla was finished, and from the opening it has transported a number of passengers, which on an annual average will reach 171,243, which corresponds to 468 each day. As much might be said, and yet on a larger scale, of the other towns near the Capital of Mexico, and which have been united to it by railroad—such as Tacubaya, Mixcoac, San Angel, Tlalpani and Guadalupe-Hidalgo.

B. Possibility to pay the Subvention.

198. The Report, considering a subsidy necessary, asks: "What is the probability of obtaining it from the Mexican Government?" and says that "In the contract made with the international company of Texas, in 1873, to which reference has been made, the Government obliged itself to pay to the company \$9,000 for each kilometre (nearly \$15,000 per mile), and to secure this subsidy it pledged eight per cent. of the Custom House dues of the principal sea-ports, and these have been, substantially, the terms which have been proposed to the foreign companies for the last ten years; that in some cases, or instead of the subsidy, or in addition to this, a

192. Questions relative to this matter.

193. The necessity of treating each point separately.

194. The Government of Mexico has followed the system of granting subventions to railroads contracted for.

195. The regions that will be traversed by the railroads are not deserts.

196. The United States have established the principle of developing the country by means of railroads.

197. The Mexicans are not slow in accepting civilized habits. Example of the Tlalnepantla railroad.

198. The Report considers that Mexico could not pay the subvention which she contracts.

certain amount of waste lands have been offered ; but as such lands are neither marked nor surveyed, and as it is probable that the greater part of the country where it is said these lands are situated is covered by some specie of title or particular concessions, as it is more than 300 years since the country has been occupied, said subsidy is not esteemed of sufficient value to consider it in this article."

199. In examining this point it is indispensable to speak of the present pecuniary situation of Mexico and its conditions with the actual state and amount of its public debt.

a. The Present State of the Treasury in Mexico.

200. The Report expresses, with respect to the possibility of Mexico to pay the subventions which she contracts, that : " The state of the national revenue is such that for more than two and a half years the subvention decreed to the Vera Cruz and Mexico City Railroad has not been paid, and at present there is owing on account of it nearly two millions of dollars ; that the poverty of the revenue is such that recently it was necessary to suspend the pay of the judges and the civil employes of the Government. Its state of anguish is manifested in the fact that during the last months the *Diario Oficial* (official organ) of the Supreme Government announced that the Executive saw itself obliged to appeal to the patriotism of the civil employes—both under the Executive and the Judicial powers—to bear with calmness the suspension of their salaries, because it had been necessary to send \$50,000 to the northern frontier to meet the expenses of the projected campaign against the Indians." It adds that, " With a foreign credit and a national revenue in such conditions, it is hardly probable that the Mexican Government could, or would, be disposed to pay \$15,000 per mile for the construction of a railroad which, to many public and even intelligent men, think that eventually would give as a result the national ruin."

201. In the proper place, what Mexico has paid to the Mexico and Vera Cruz Railroad Company (limited) will be spoken of, and also what is owing on account of the subvention.

202. The possibility of Mexico's paying the subventions which she offers to the companies that construct railroads in her territory, being related in a direct manner with the financial condition of the country, it is necessary to speak briefly on this point.

203. The Government of Mexico believes that it would not comply with its duty, and, even more, that there would be a positive detriment to the nation, if it tried to hide the truth of events, no matter how disadvantageous these may be for the Republic—if it did not set forth the situation of the country such as it really is. For this reason, in as many publications as have been issued from the office of the Secretary of the Treasury, for the past several years, far from trying to diminish the gravity of the financial situation, they have painted it in the most vivid colors. Notwithstanding that the Government had frankly shown on several occasions the state of the public Treasury, as the Report enters into considerations which do not appear well grounded, and deduces erroneous conclusions, it is proper to make some explanation about this important affair.

b. Cause of Mexico's Pecuniary Difficulties.

204. The Mexican nation is composed of about 9,000,000 of inhabitants, of which about 6,000,000 are Indians of the pure race, who, by their inveterate customs, their want of civilization, and because, for the greater part, they inhabit the interior of the country, far from the coasts, without navigable rivers, and unprovided with easy and cheap roads, cannot produce the tropical fruits that are in great demand in the foreign market, nor even realize on the little fruit which they do produce for the Mexican markets, when these are far from their towns. With this same difficulty, the greater part of the other inhabitants of the country that do not belong to the pure indigenous race struggle ; they produce and consume a little more, but they do not produce what they could in proportion to their numbers, on account of the disadvantage of the ground where they live, and because of the want of consumers, occasioned principally by the dearness of the means of communication, which ought to be cheap and speedy.

205. As to the production of Mexico, it may be believed that, having extended coasts on both seas, the portion at least of the population established on them would be able to produce fruits which, because of not being charged with heavy freighting on land along the roads to the interior, could be exported with advantage to the

199. The necessity of speaking of the present pecuniary situation of Mexico and the amount of her public debt.

200. The opinion of the Report with respect to the actual condition of the public Treasury in Mexico.

201. The Mexico and Vera Cruz railroad will be spoken of in its proper place.

202. It is necessary to speak of the actual financial situation of Mexico.

203. An exposition true, as exact, will be made of the pecuniary condition of Mexico.

204. Natural difficulties that have made progress impossible in Mexico.

205. The reason why her production does not correspond to the population, nor to the advantages of the land.

country. Unfortunately, the coast of Mexico on both seas is subject, with but few exceptions, to sicknesses which do not admit of people easily establishing themselves on it without some danger ; that is, persons not acclimated. This circumstance, and the inconvenience of life on the coast, at least during the first month's residence, because of the multitude of insects and other molestations of a warm country, have made the coasts of Mexico relatively depopulated ; and thus the great mass of the population of the country is found concentrated on the elevated and cold or temperate places, whose indwellers do not go to establish themselves, or to work temporarily on the points along the coasts. It may then be said that, as a general rule, the principal population of the country is in the interior, and that for the fruits produced in it to be able to get to the ports without great charges the construction of railroads is indispensable.

206. The population of 9,000,000 of inhabitants for a nation whose territory comprises an extent of 109,434 square leagues, with extensive coasts on both seas, is truly scanty. The necessities of a nation of such vast territorial extension, having a great coast on two oceans and a long frontier with the United States to attend, and another equally extensive with Guatamala, require considerable outlays in proportion, at least, to a population much more numerous. The producing portion of the population that could supply these outlays is relatively small, and may be calculated at two and a half millions, at most, of inhabitants. The result of these facts is, then, that at the same time that the public necessities of Mexico are of a great nation, the charges weigh, in reality, upon the shoulders of a small portion of the population.

207. Hence arises, and has arisen for some time, all the financial difficulties of Mexico. Her requirements have been very superior to her possibility of satisfying them. If to this be added the circumstance that the country has for many years sustained civil wars to emancipate herself from fanaticism, secure her independence, to better her social and political condition, and that she has been obliged to sustain some foreign wars—and it is known that wars considerably increase the public outlays—it will not appear strange that Mexico has been unable to pay the interest on her debt, nor to make with regularity her other outlays ; that a state of deficiency has been her normal condition, and that her credit at home and abroad has suffered the consequent depreciation.

208. This explanation being made, which in a few words gives the true financial situation of the country, it is now time to examine the conclusions of the report upon this point.

e Articles in the Diario Oficial of the Mexican Government, with regard to the sending of \$50,000 to the Northern Frontier.

209. For the purpose of demonstrating the extreme poverty of the Mexican treasury, and its complete impossibility to comply with contracted obligations with respect to the payment of subventions to companies constructing railroads in Mexico, the report says that it was necessary recently to suspend the payment of salaries of judges and of the employes of the Government, and that in the month of September, 1878, the Government newspaper announced that the Executive saw itself obliged to have recourse to the patriotism of its employes, as well as those of the judicial power, so that they might have patience with respect to the suspension of their salaries on account of \$50,000 having been sent to the Northern frontier to pay the expenses of a campaign that had been projected against the Indians.

210. It is proper to allude to what passed with respect to this small incident, because the report touches upon it, giving it undue importance.

211. Notwithstanding the bad condition of the public revenue, according to what has been already shown ; notwithstanding the needs of the treasury, and notwithstanding that from December, 1876, a numerous and larger army than what had existed in other periods, in the year 1877 the outlays of the Administration were made with all due regularity, and the salaries of both civil and military employes were punctually paid in the second six months of that year, even up to half monthly payments, in advance, without there remaining anything owing to them.

212. The same thing happened in the first six months of the year 1878 ; the salaries of the civil and military employes were completely paid, and in many cases in fortnightly installments in advance. During the

206. The productive part of the population is inferior to the requirements of the country.

207. Philosophical explanation of the financial difficulties of Mexico.

208. Examination of the conclusion of the Report about the inability of Mexico to pay subventions.

209. Allusion in the Report to the sending of \$50,000 to the northern frontier to pay for a campaign against the Indians.

210. The convenience of referring to what did take place in connection with this point.

211. In the second six months of the year 1877, public expenditures were met with regularity.

212. The same thing happened in the first six months of 1878, but in the second period of that year there was some delay.

second six months of the same year, the payment of these salaries fell somewhat behind ; but this backwardness is not so considerable, if it be remembered that after twenty-four months, during which the present Administration has ruled the destinies of the country, there is not, on an average, owing to the civil and military employes more than what corresponds to one or two monthly payments.

213. When these ceased to be made with due regularity, the fortnightly payments in advance to the civil and military employes of the Federal Government, some newspapers in this capital, and principally those that are engaged in opposing the actual order of things, complained of this, and qualified it as a great injustice, and tried to excite the minds of the employes, supposing that they had been unequally paid, and that undue preferences had been exercised. With this motive the official organ had to make some rectifications, explaining that the irregularity of the payments was owing to a reduction in the receipts, and not to either inequality or preferences ; that on former occasions a far greater delay in the liquidation of salaries had happened, and much greater irregularities had taken place than then, without complaints having been made on this account.

214. To the attacks directed against the Executive because of the irregularities in the payment of salaries, among which figured one from a functionary of a certain category, it was necessary to reply in the *Diario Oficial*, explaining the cause of the small delay which had been suffered. In fact, in the number of this newspaper which corresponds to the 6th of September, 1878, the article was published, from which the following passages are taken :

“Some persons, not recognizing that the want of regularity which has taken place recently in the payment of salaries is exclusively due to the reduction in the receipts of the public treasury, have concluded to believe that it is the effect of ill-will, or other ignoble motives, and supposing that with letters to the press, or other inconvenient demonstrations, they would prove this, have chosen this course ; which, far from being efficacious in securing the prompt payment of salaries, must necessarily produce contrary results. If an active and honorable administration, like the present, delays one or two fortnightly payments of salaries to its employes, it is simply because it has not been able to avoid the evil ; and all that which introduces anarchy or disorder into the Administration, must forcibly produce obstacles to the punctuality of those same payments.”

“We have thought it convenient to set down these ideas at seeing the magistrate, Mr. Pablo M. Rivera, repeats his attacks against the office of the Secretary of the Treasury, by means of communications to the newspapers, only because it has not been convenient to pay the Judicial Power the two fortnightly instalments for August. In other periods there have been due to the employes three or four month's salaries, and we do not remember that on this account the Executive was insulted.”

215. On account of having to send, not only \$50,000, as the *Diario Oficial* said, but even a greater sum to the northern frontier for the payment of the Federal forces which garrison that line, and especially for the extra expenditures for the campaign inaugurated against the Indians, which is giving such felicitous results, according to data, emanating from the Government of the United States ; and the *Diario Oficial* anticipating the attacks that would be directed against the Executive by the opposition press, if by means of making this strong remission of funds the payment of the civil employes' salaries was kept back for some days, the official organ then intimated, that the money which could have been invested in the payment of the employes had been sent to the frontier, wherefore the payment of the pending fortnightly installment would have to be delayed.

216. The text of the article in the *Diario Oficial* upon this matter, which was published in the number corresponding to the 21st of September, 1878, to which the Report alludes, is this :

“The sending of funds to the northern frontier.—The President of the Republic, in accordance with what was said in the speech of the 16th instant, at inaugurating the sessions of the Congress of the Union, has decided that an active and efficacious pursuit should be undertaken of barbarous Indians and raiders on the northern frontier, who have caused so much damage to peaceable people on both banks of the Rio Grande. For this purpose it has been necessary to place recently in several of the Federal offices on that frontier, various sums to a considerable amount, and for this reason the greater part, if not all, of the second fortnightly payment for August, which is due to the civil list, has ceased to be paid.

“We believe that the nation, and the employes themselves, to whom the amount of one month of their salaries has not been paid, will approve this resolution of the Executive, which has been dictated by virtue of sentiments of justice and patriotism, in the good result of which all the Republic is vividly interested.

“Notwithstanding what has been shown, the good season for the ports being now pretty near, and smuggling

213. Attacks by the opposition papers, caused by the irregularity in payments of salaries.

214. Reply of the *Diario Oficial* of September 6th, 1878, to the preceding attacks

215. Explanation of the *Diario Oficial* about the sending of \$50,000 to the northern frontier.

216. Text of the article of September 21, 1878.

having diminished in consequence of the energetic measures of the office of the Secretary of the Treasury, which has caused some smuggled goods of importance to be captured recently in different Custom Houses, it is hoped that the state of the revenue will be improved."

217. This incident, without any transcendent importance, occasioned by the attacks against the Mexican Government, which were suggested by party spirit, could not by any means be taken as a proof which would demonstrate the condition of the Mexican revenues. To judge of this, it would have been more proper, in place of taking an isolated case into which much political passion entered, to examine the total results of the accounts of the Mexican revenues for an economical year. These accounts are printed and circulated regularly, either in the form of monthly, three monthly, or annual statements, to be presented to the Congress of the Union, in compliance with Article 69 of the Constitution, which account accompanies the report of the Treasury, which is profusely distributed. In it is to be found the amounts of the revenue collected in the year, the objects in which they are employed, the sums authorized in the estimates for expenditure during the year, and those which, in fact, are spent. For these reasons, this would form a more certain basis upon which to judge of the state of the public Treasury in Mexico.

218. The fact could not do less than challenge attention, that notwithstanding the bad condition of the Mexican treasury, its extreme poverty and the difficulty of making payments of any importance, it has been able to punctually cover the three installments due on the debt which Mexico has pending with the Government of the United States, delivering \$300,000 on each one of them, with the amount of exchange premium added, on account of the fall recently suffered by silver in foreign markets, which, in the approaching payment, will probably equal some twenty per cent. This having been done, demonstrates at the same time that the impossibility of the Mexican revenue is not so absolute as to prevent the covering of its compromises, and it proves that the Government of the Republic knows how to punctually fulfill the obligations which it contracts.

d. The actual pecuniary situation of Mexico does not prevent her from paying the subventions which she contracts.

219. Mexico has great elements of riches, and it is certain that once placed in the way of development, not only will she easily cover her expenditures, but also the interest on her public debt, and will even slowly cancel the principal, and at the same time accumulate in a few years considerable sums of money, thus becoming a wealthy nation. But in order that this may come about, Mexico needs, in addition to peace and interior security—which is, without doubt, the first condition—easy and cheap means of communication, as nature has deprived her of water ways, which have so much contributed to the development and prosperity of the United States. The future of Mexico depends upon these two conditions, and to their realization the country ought to devote her efforts in preference to all others.

220. If any one well versed in the affairs of Mexico were asked if with the present revenues of the country, it would be possible to regularly pay its public expenditures, meet the interest on the national debt, and at the same time cover the contracted railroad subventions, his reply could not be other than that of the Report; but, if because Mexico cannot now count upon sufficient means, or elements, to warrant security in the punctual payment of a contracted subvention, she would have to desist from constructing railroads in her territory. This would be equivalent to shutting up in an absolute manner the gates of progress, and to condemning her to remain indefinitely in her present state of anguish. On the other hand, it is clear that in proportion, as ways of communication are constructed, the elements of wealth in the country will commence to be developed, and that these gradually increasing, will bring about the possibility of meeting the pecuniary compromises which Mexico may contract to facilitate the construction of railroads. Under this aspect the Report is not well grounded, nor does it do justice to Mexico's effort to better her present situation.

221. This nation may be compared to a very rich mine whose owner lacks sufficient capital to work it. However great may be the wealth of the mine, this is contained in the bowels of the earth, and cannot be profited by while there is not the necessary capital to reach it. Once invested, this capital, not only what has been put in to work the mine, but much more, can be taken out. Mexico contains in her soil immense treasures in mining and in agriculture, which cannot now be worked because of the want of capital and means of communication. Let these once be constructed, and those treasures will be utilized, and will yield sufficient, not only to pay the cost of the ways of communication, but to also make the Republic rich and happy. If the owner of the mine,

217. It is not prudent to judge of the financial situation in Mexico by an isolated fact.

218. Notwithstanding the bad pecuniary situation, Mexico has met her obligations with the United States.

219. Mexico has great elements of wealth whose development would enable her to meet her compromises.

220. No railroad subvention could be paid in advance, but the road would augment the public revenue.

because he cannot dispose of the capital to work it, nor gather into his coffers sufficient means to do it, abstains from taking them on credit, he will never get out of the penury in which he finds himself.

222. The question comes, then, finally to be this: Should Mexico exert herself to bring about the construction of railroads in her territory to develop her great elements of wealth, confiding that in this development she will find sufficient means to pay the subventions which she contracts; or, because of not having ready the amount of those subventions, ought she to abstain from contracting for the construction of railroads, if, as the Report affirms, no road can be constructed without a subvention, and content herself with being deprived of the means of communication, which are, above all, indispensable to her progress and development? The Report appears to incline towards the second way. The Government of Mexico believes that its duty is to follow the first, making efforts to vanquish all obstacles that may present themselves.

223. Having made these cursory observations with respect to the actual pecuniary situation of Mexico, it is now time to speak of the public debt of this nation, in order to rectify some points in the Report which refer to it.

b. The public debt of Mexico.

224. The report says that "in despatches lately sent to the Department of State, of which those who are interested may obtain copies, if they ask for them, the representative of the United States has demonstrated that Mexico has in Europe a conventionalized and pledged debt which, together with accrued interest, is about \$125,000,000, and in the United States, \$2,700,000; that to pay the European debt the Government has already pledged the disposable incomes of the Custom houses, and it subsequently pledged sixty per cent. of a portion of said income for the payment of the American debt; that it is certain that this Government alleges that the conduct of England, France and Spain in 1861, and 1862, relieved it of the obligation contracted with Europe; but these nations do not admit any such pretensions, and there is no doubt that the pledging made in favor of the American debt is a forcible obligation; and that therefore it results that the pledging of eight per cent. or of any other portion of the revenues from the Custom Houses, is an imperfect guarantee whose validity might be disputed by powerful reclamations; that on the other hand the ability of the Government to pay any subvention is extremely doubtful, and, in case of new revolutions, its absolute inability would be certain; that it has not paid a single dividend on the half yearly interest of the European national debt for the period of twenty years; and that since 1861 it has not paid, though it promised to do so, a single dollar of the interest of that debt; and that with regard to the American debt referred to, it has never paid a single semi-annual dividend of interest from the time of making the loan."

225. As to this matter, the data in the Report are, for the greater part, inexact, and the conclusions deduced from them are completely in error.

226. Although this work will be enlarged more than was intended when it was commenced, it seems indispensable to pause and speak about this affair, whose importance requires some explanations. To proceed in an orderly manner it is indispensable to state what are the sums which constitute the debt of Mexico, and what the condition of that debt.

Granted that the report limits itself to speaking about what is called the Mexican debt in Europe and of the United States, the explanations that are to be made about the matter will be circumscribed principally to those credits against Mexico.

Here, then, for the better understanding of the matter, the following points will be spoken of:

- a. The debt contracted in London.
- b. The extinct English Convention.
- c. The extinct Spanish Convention.
- d. The extinct French Convention, and the debt recognized by the Archduke Maximilian in favor of the Emperor Napoleon.
- e. Termination of the conventions with European Governments.
- f. The debt contracted in the United States.
- g. Other debts of the Mexican Government.

221. The comparison of Mexico to a rich mine.

222. Mexico needs the building of railroads for her progress and development.

223. Opportunity of speaking about the public debt of Mexico.

224. Assertions of the Report about the public debt of Mexico.

225. Inexact data and consequent errors in the Report.

226. Necessity of entering into details about the debt of Mexico

227. Matters connected with the public debt, which will be examined in this communication.

- i. Sums paid on account of the Mexican debt.
- j. The pledging of the public revenues of Mexico for the payment of her debt.

228. Each one of these points will be separately treated, for the better understanding of the various questions connected with the public debt of Mexico.

a. The Debt Contracted in London.

229. The origin of that debt: The Government of Mexico, having been authorized by the law of May 1st, 1823, commissioned Don Francisco de Borja Magoni to negotiate in London a loan of \$8,000,000. Magoni entered into a contract with the house of B. A. Goldschmidt & Co., on the 7th of February, 1824, whereby that firm purchased at fifty *per cent.* a fund of \$16,000,000, which would commence from the first of October, 1823, to earn interest at the rate of five *per cent. per annum*, payable in half-yearly installments, in advance.

230. The Executive of Mexico, having been authorized by the Congressional law of August 27th, 1823, to negotiate a loan of \$20,000,000, celebrated a contract in this capital on the 25th of August, 1824, with Messrs. Manning & Marshall, Agents of the house of Barclay, Herring, Richardson & Co., London, for the value of another \$16,000,000. In February, 1825, the contracting firm negotiated the Mexican bonds for 86 $\frac{3}{4}$ *per cent.* These bonds earned an interest of six *per cent.* annually, which should commence to run from January 1st, 1825.

231. On account of the penuries of the Mexican Treasury, the interest on these debts could not be paid with regularity, various arrangements were entered into with the creditors by virtue of which some of the interests were celebrated, and some reductions of the capital were made by the creditors. Only the dates of some of these arrangements will be mentioned.

232. The first was approved by the law of May 20th, 1831; the second celebrated on the 12th, of April, 1837; the third on the 15th of September, of the same year; the fourth was approved by the Congressional law of June 1st, 1839, and regulations of the 29th July following. The law of April 28th, 1845, empowered the Executive to regulate the debt contracted in London, upon the basis fixed by the law, and by virtue of this the Executive issued on the 5th of March, 1846, a decree establishing a new consolidated fund of £4,656,000 Sterling, with the interest of five *per cent.*, to be paid half-yearly, which fund was made payable in ninety-three years. This decree was not complied with by the Mexican Minister in London, and the financial agents of the Republic in that city entered into a contract with the holders of the bonds of June 4th, 1846, which was approved by the Mexican Government on the 20th of July, 1847. The last contract made with the bond-holders was approved on the 14th of October, 1851, and by it the capital of the debt was fixed at \$51,208,250, and the issue of new bonds was authorized, earning three *per cent.* interest annually, the interest payable half-yearly in London.

233. *Participation of the Bond-holders in the French Invasion.*—After the arrangement of October 14th, 1851, some coupons of the new consolidated fund were paid, and others were not. The bond-holders, thinking to secure the payment of their interest by the establishment of a European government in Mexico, directly aided the foreign intervention and the coming of the Archduke Maximilian, making with him, before his departure from Europe, new arrangements by virtue of which the accrued unpaid interests were capitalized with the addition of 66 $\frac{2}{3}$ *per cent.* of the value of the consolidated coupons, which arrangements were set down in the decree executed at Miramar, on the 10th of April, 1864. During the French intervention in Mexico some coupons were paid to these creditors; but some others remained owing to them.

234. *Arrangements proposed and celebrated with the bond-holders.*—At the termination of the intervention the bond-holders presented themselves to the Mexican Government, requesting the payment of their interest. The Government considered that by the bond-holders' own act of having directly recognized and aided the foreign intervention in Mexico, they had infringed the neutrality which, as foreigners, they ought to have observed, and for this reason had incurred a penalty which ought to be at least the loss of unpaid accrued interests from the time of the conversion, on October 14th, 1851, till that of the re-establishment of the national Government in the capital of the Republic.

235. From 1868 to 1871 several negotiations were followed up with the representative of the holders of the London bonds in this capital, they exacting on their part the acknowledgement of the contracts made with the

228. Each of these points will be treated separately.

229. Historical synopsis of the debt contracted in London. The \$8,000,000 loan of February 7th, 1824.

230. The second London loan, August 25th, 1824.

231. Mexico celebrates different arrangements with her creditors for the payment of accrued interests.

232. Connection of the different contracts made with the creditors for this purpose.

233. Participation of the London bond-holders in the French intervention and Maximilian's coming.

234. Negotiations initiated by the bond-holders for the purpose of arranging their credits.

French intervention, and Mexico sustaining the nullity of those contracts, the lapse of that of October 14th, 1851, and the necessity of making a new contract, on the bases already indicated—that they should lose, by way of a fine, unpaid interest up till the year 1867, and that in future they should remain as common creditors of the country, without any special pledging—of the public revenues effecting the payment of their credits.

236. The bond-holders in London did not wish them to accept these conditions, and the negotiation remained in suspense until the advent of the Administration of Mr. Lerdo de Tejada. During his administration some informal negotiations were followed up, but without any result being arrived at. When the present Administration was established the holders of the London bonds moved, through their representative in this capital, for an arrangement of pending difficulties. After more than a year of negotiations a contract was signed on the 6th of December, 1878, by virtue of which they accepted the conditions which had been offered to them in 1871, in which the arrangements with Maximilian were completely knocked on the head, one-half of the capital was deducted, and the earning of interest modified, which will go on increasing yearly from one and a-half to six per cent. annually, and all interest accrued and unpaid from 1851 to the first half of the year 1867, declared lost, the entire validity of this arrangement with the creditors to depend upon their constructing, without any subvention, a railroad from the City of Mexico to the Pacific.

237. This being a matter of great public interest and directly related to the grave question treated in the Report, it is deemed convenient to insert here some fragments of the communication with which this Secretary's office sent to the Congress of the Union the cited contract of December 6th, 1878.

"4. The President has stumbled, notwithstanding, against several obstacles in taking up this matter; the principal ones being the necessity of punctually complying with what would be agreed upon, to establish the credit of the country; the relatively large sums necessary to pay the interest on the debt; the great difficulty with which in her actual circumstances the nation could pay an interest, even if very low, and the consideration that it would be preferable to not make any arrangement than to break one that might be made. The President, then, has struggled with the question that to establish credit, which it is hoped would give to the country resources necessary to develop her elements of wealth, it is indispensable to count, at the same time, with resources which unfortunately at present do not exist, and which there is no security will exist, while the present circumstances of the country do not change.

"5. From these grave and patriotic considerations, which for much time have occupied the President's attention, has originated the idea of making the creditors of the country contribute towards the construction of public works of great importance to the nation, and at the same time of great importance to her progress, so that with the increase of receipts in the federal revenues when once these works are completed, the interest of our debt may be paid with security, and without great effort.

"6. The nation finds herself actually in the circumstances of a debtor who has sufficient value and elements of riches to pay all his debts and remain afterwards in opulence, but who lacks the immediate and indispensable resources to make his riches effective. In such occasions it is usual for the debtor to address himself to his creditor, soliciting a renewal of credit, which would enable him to work the fountains of wealth that are found choked up for want of the resources necessary to make them productive. This, it has seemed to the President, is, under the present circumstances, the road which the Republic ought to follow with respect to her creditors."

"7. It is notorious that one of the most imperious necessities of the country, if not the greatest, is the construction of railroad lines that will place its populated centres in communication with each other, and with the coasts, so that they will develop the interior commerce, and facilitate, among other advantages, the exportation of much of our fruits, which at present does not pay, on account of the high rates of freight which they must meet, in order to reach the place of embarkation.

"8. It does not appear too hazardous to assert, that if railroads were constructed in the centre of the country, and between the principal towns, extending them to the Pacific, in combination with the Vera Cruz road, in order to have access to both oceans, the nation would receive an impulse such as that its wealth would be sensibly augmented, and with it the income to the Federal Treasury, which would admit of the punctual payment of the interest on the national debt. The creditors of the country appear to have recognized the truth and the force of these considerations, seeing that they have lent themselves to enter into an arrangement which rests upon the bases of obliging themselves to construct a railroad starting out from this capital and passing through the principal centres of population in the Republic, till it reaches the Pacific, uniting this work with the acknowledgement and gradual payment of the public debt, and the creditors accepting other conditions highly advantageous to the Nation."

235. Conditions proposed to the bond-holders by Mexico.

236. Arrangements celebrated with the bond-holders and other creditors of Mexico, December 6th, 1878.

238. *The British Government has no participation whatever in this debt.* It is to be noted that this debt has not, nor has it ever had, an international character; that it is a debt contracted by Mexico in London, without any participation on the part of the English Government, and that, notwithstanding the many suggestions which the bondholders have made at different periods, soliciting the interposition of the British Government in their favor, the Cabinet of St. James has constantly refused to have anything to do with this affair, on account of considering it a private contract entered into between certain individuals in London and the Mexican Government, without any intervention on the part of the British Government, and on account of having supported the principle, that in the differences arising from this class of contracts that Government ought not to meddle.

239. By the preceding simple statement, it will be seen that the debt of Mexico in London, which represents more than one-half of the total debt of the country, is not a debt contracted with the English Government, nor with respect to which that government has pretended to have any part, but that it was contracted with private parties, whose representative has spontaneously consented to renounce the pledge, given by the law of October 14th, 1851, accepting in exchange the obligation that the coupons of this debt would be received in payment of ten per cent. of public taxes.

*
b. The Extinct English Convention.

240. In addition to the debt contracted in London, there has been another debt in favor of English subjects established in the Republic, which was also a private debt of Mexico, in favor of particular residents in the country; and, because of having celebrated diplomatic arrangements with regard to it with the British Government before the French Intervention, it assumed the character of an international debt. This debt comes up to \$7,239,269 14, taking into account the capital only.

241. On the 15th of October, 1842, the Secretary of Foreign Relations of Mexico, Don Jose Maria de Bocanegra, signed a convention with Mr. Packenham, the English Minister, in which it was stipulated that some reclamations to the amount of \$250,000 should form a consolidated fund, whose capital and interest would be paid with a certain percentage of import dues which might accrue in the Custom-Houses of Tampico and Vera Cruz.

242. This convention was not carried into effect, and on the 4th of December, 1851, the English representative, Mr. William Percy Doyle, signed another, in which were included not only the reclamations included in the former ones, but also others, reaching altogether the sum of \$4,984,214, with which a consolidated fund was formed, which earned an interest of three per cent. annually, it being obligatory to pay off also five per cent. annually of the capital. To cover the interest and the amount of the capital to be cancelled, it was agreed to devote a part of the product of the custom-houses, making the payments in half-yearly dividends.

243. Two days after signing the convention with Mr. Doyle, another was signed with Senor Zayas, the Spanish Minister in Mexico, for the purpose of arranging the acknowledgement and payment of credits proceeding from the funds which had existed in Mexico, corresponding to the Phillipines Mission, called those of the Padre Mora, based precisely on the same stipulations as those of Mr. Doyle. By virtue of this convention a credit of \$983,000 was recognised, and it was agreed to pay three per cent. interest and five per cent. of the capital.

244. On account of the firm of Messrs. Martinez del Rio Hermanos, being the same house that was agent for the English Convention of December 6th, 1851, and of the Spanish Convention of the same date, known under the name of the Padre Mora, and the circumstance also of the order having been given to apply to both credits the twelve per cent. of the import dues, without specifying how much belonged to each one, it caused the confounding the sums, and that the agents, Messrs. Martinez del Rio Hermanos should apply indiscriminately the funds of the one to the payment of the other account; and this confusion gave origin to the considering of the credit of the Phillipines Mission as having been included in the convention with the English Government.

245. The usurping government of the Republic, established in this city in 1860 by the Convention of August 10th, 1858, raised to six per cent. the interest of three per cent. fixed to the credit of the English Convention, and designated sixteen per cent. to the payment of both conventions—twelve per cent. being for the English, and six for the Padre Mora.

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- 237. Explanation addressed by the Executive to the National Congress accounting for the preceding arrangements.
 - 238. The British Government has no part in the debt contracted in London.
 - 239. The creditors of Mexico agree to renounce the pledge contained in former contracts.
 - 240. The extinct English Conventions.
 - 241. Convention of October 15th, 18 2, for \$250,000.
 - 242. Convention of December 4th, 1851, for \$4,9 4,914.
 - 243. Spanish Convention, December 6th, 1851, respecting the credits of the Phillipines Mission, or Padre Mora.
 - 244. The confounding together of the English and the Spanish Conventions of December 6th, 1851.
 - 245. Increase of the interest on the English Convention.

246. Captain Dunlop, commandant of the British naval forces in the Gulf of Mexico, obtained from the Constitutional Government, established at Vera Cruz on the 3d of February, 1859, an increase of eight per cent. upon import dues. Captain Aldham, who succeeded Captain Dunlop, made another arrangement on the 15th of December, 1860, whereby the assignations for the custom-houses of Vera Cruz and Tampico were increased five per cent. These two assignations of eight and five per cent. are for the purpose of covering \$1,800,000 arrears in the payment of the conventions above referred to.

c. The Extinct Spanish Convention.

247. On the 17th of July, 1847, Senor Don Jose Ramon Pacheco, as Secretary of Relations, and Senor Don Juan Rondero, as Secretary of the Treasury, signed, with Senor Don Salvador Bermudez de Castro, Representative of Spain in Mexico, a document which was made out in the form of a contract, the object being to provide for the payment of the Spanish reclamations recognized in the 7th article of the treaty of peace with Spain, signed in Madrid on the 28th December, 1838, and from whose inexact repetition several difficulties subsequently arose. In that document it was ordered that all the reclamations against the Government of the Republic presented until that time, or that should be presented in future by the Spanish Legation, would be paid out of a special fund to be named "The Fund for Spanish Reclamation;" this fund to be composed of three per cent. of all duties that might be caused in the maritime and frontier custom-houses. The reclamations of a privileged character to be paid in a manner to be determined by special arrangements. The fund destined to this payment to be administered by a committee composed of five persons, named by the representative of Spain, which would liquidate their accounts with the General Treasury every six months. The credits recognized and liquidated to earn the legal interest up to their complete payment. To examine and liquidate Spanish reclamations, the Secretary of the Treasury was empowered to name three employes, who would, with the Spanish Ministry, fix the value of the claim and the date from which interest ought to run. These arrangements could neither be altered, suspended, or modified at no time nor under any circumstances, but only by means of an agreement, express and formal, between the Government of the Republic and the representative of Spain.

248. This Convention did not attain the quality of validity on account of wanting the pre-requisite of being approved by the Congress of the Union, which is required by the thirteenth section of article 50 of the Constitution of October 4th, 1824. Therefore, on the 14th of November, 1851, another Convention was signed by the Secretary of Relations of Mexico, and the representative of Spain, which modified that of July 17th, 1847.

249. On the 6th of December, 1851, another Convention was celebrated with the Spanish representatives for the purpose of arranging the payment of the credit of Padre Mora, proceeding from the possession taken by the Mexican Government of the goods belonging to the Philippines Mission, at the decreeing of the expulsion of the Spaniards, which credit was afterwards considered as of the English Convention, for the reasons that have already been explained.

250. On the 6th of December, 1851, another Convention was signed by the Secretary of Relations of Mexico with the Spanish Minister for the arrangement of the credits of Don Cayetano Rubio.

251. On the 12th of November, 1853, the last Spanish Convention was signed by the Secretary of Relations of Mexico and the Spanish Minister, which was duly ratified by both Governments, and in the execution of which great frauds were committed in considering credits as being Spanish which were not so in reality, and which could not enter into the Convention, according to its terms.

252. It is calculated that the credits pending of this nature, without taking into account the interest earned, and deducting the portions recently paid, will reach the sum of \$5,174,421 75.

d. The Extinguished French Convention and the Debt recognized by the Archduke Maximilian in Favor of the Emperor Napoleon.

253. Mexico also celebrated Conventions with France for the payment of the claims of French subjects, with conditions similar to those formed with the Government of Spain and England. On account of the last, signed January 10th, 1857, only something like \$190,000 were owing, when the French Emperor sent his troops to intervene in the interior affairs of the country, and during the intervention the balance of this debt was paid.

246. Arrangements of Captains Dunlop and Aldham with the Constitutional Government at Vera Cruz.

247. First Spanish Convention, July 17th, 1847.

248. Second Spanish Convention, November 14th, 1851.

249. Third Spanish Convention, December 6th, 1851, of the credits of Padre Mora.

250. Fourth Spanish Convention, December 6th, 1851, of the credits of Don Cayetano Rubio.

251. Fifth and last Spanish Convention, November 12th, 1853.

252. Calculation of the sum pending through the extinct Spanish Convention.

253. French Convention of January 10th, 1857.

254. The regimen established in Mexico by the foreign intervention not only paid the small sum which the Convention of January 12th, 1857, had left pending, but paid larger amounts under the title of reclamations by French subjects, and recognized others still larger, in favor of the French Government, under the title of indemnifications for war expenses.

255. *Claims of French subjects against Mexico recognized by Maximilian.* Before the Archduke Ferdinand Maximilian of Austria came to Mexico, and when he treated for the assumption by him of the government of this country, he celebrated in Mirama, on the 10th of April, 1864, a convention with the Emperor Napoleon, by virtue of which he compromised himself, among other things, to indemnify French subjects who have claims against Mexico, setting apart at once for this purpose, and without examining the claims, the sum of 12,000,000 francs of the first loan, which he negotiated also in Europe before coming to the country. When Maximilian came to Mexico he entered into a convention with the French Government, which was signed on the 27th of September, 1865, for the recognition of the claims of French subjects, originating in damages caused to them by the Mexican Government and its agents. Those which were presented to the commission reached the sum of \$46,000,000. According to what appears in the *Diario del Ministerio de Hacienda* of the 9th of February, 1866, drafts were freely drawn in favor of the French paymaster, for 23,660,000 francs, as part of the loan of 1865, to cover the amounts resulting from these claims. This sum, and that of 12,000,000 already mentioned, make a total of 35,660,000 francs, which is the largest total sum recognized by the commission in favor of French subjects, the total amount allowed being 31,865,530 francs.* During the regimen of the intervention, the custom house of Vera Cruz paid, in addition, the net balance of the French convention of January 10, 1857, according to what has been already shown.

256. *Recognition by Maximilian of the credits in favor of Napoleon.* The Emperor Napoleon celebrated different treaties with the Archduke Ferdinand Maximilian of Austria, whom he sent to this country and tried to invest with the character of Emperor of this Republic, in which treaties very large sums were recognized, altogether beyond the possibility of the country to pay, under the title of indemnifications for the war which had been brought to Mexico through personal views, and hostile to this nation as to the United States. But the Mexican nation has not recognized, nor could it recognize, the acts of the foreign intervention in Mexico, and far less those that had for their object that of imposing the obligation of paying the expenses of an iniquitous war, when, on the contrary, Mexico would have the right of collecting from France the costs and damages occasioned by the war.

257. In fact, all these debts represent a capital of \$192,962,962, which earns the annual interest of \$10,377,777, in this form:

Debt recognized till the 1st of July, 1864, to pay to France the expenses of the war against Mexico, with interest of six per cent.	\$40,000,000
The first loan negotiated by Maximilian with Messrs. Glyn, Mills & Co., bankers, London, for 216,000,000 frcs., with interest at six per cent.	\$40,000,000
Bonds issued for 110,000 francs, bearing 6 per cent. interest, to pay France \$10,000,000 cash and 12,000,000 frcs., on account of reclamations by French subjects..	\$20,370,370
Second loan negotiated by Maximilian in Paris, at the quotation of 340 francs, for 500,000,000 francs, bearing interest at six per cent.	\$92,592,592
Total	\$192,962,962

258. The Mexican nation has considered that this debt is not legitimate, because it was contracted to bring to the country, and to sustain there, a European intervention which would have converted it into a dependency of France, if the result proposed by the Emperor Napoleon had come about.

259. It is a custom, authorized by the practice of civilized nations, that when one makes war against the other, that which loses has to pay the cost of the war incurred by that which triumphs. In this case Mexico triumphed over France, because her forces had to leave Mexico without being able to attain the object proposed by the Emperor Maximilian at the beginning of the war, which was the overthrow of the Republic and the establishment of a sham monarchy, which might subsequently be converted into a dependency of France. This power ought, then, to have paid Mexico the costs of the war and the damages caused to the Mexicans, instead of Mexico having to pay those which France caused.

254. Pecuniary arrangements of the Emperor Napoleon with the Archduke Maximilian.

255. French claims recognized by Maximilian.

256. Debts recognized by Maximilian in favor of Napoleon for the expenses of the war of intervention.

257. Details of the debt contracted in Europe by Maximilian.

258. The Mexican nation considers the acts of the intervention illegal, and not binding.

259. The defeated nation should pay the costs of the war.

260. It does not appear probable that the United States, which never recognized the French intervention in Mexico, and which lent their support to the Republic during that painful epoch, could consider as obligatory upon Mexico the acts of the foreign intervention.

261. *Comparison of the debt of Mexico with that which the foreign intervention attempted to impose upon her.* Before passing on to any other point it is deemed convenient to insert the following comparison of the amount of the national debt of Mexico with that which the regimen of the foreign intervention attempted to impose upon her, taken from the memorandum of the Treasury of September 16th, 1870 (page 694, paragraph 2,761):

Debt of the so-called Mexican Empire, in conformity with the balance to the end of December, 1866, of the Count of Germiny, President of the Treasury-Commission established in Paris by Maximilian.

Loan of 1864, at six per cent., including 110,000,000 francs applied to war expenses.....	Francs 311,600,100
Loan of 1865, first series.....	250,000,000
Loan of 1865, second series.....	250,000,000
English consolidated debt, 1851.....	258,089,580
do do do 1864.....	122,592,960
Total Francs.....	1,192,282,640
There are added for the remaining costs of war, in accordance with the spirit of the Miramar Convention.....	Francs 216,000,000
Total Francs.....	1,408,282,640
This sum, at the rate of five francs to the Mexican dollar, is equal to.....	\$281,656,528
<i>Anterior Conventions:</i>	
French.....	\$190,000
English.....	4,175,000
Spanish.....	6,633,423
Padre Mora.....	825,000
The banker, Jecker.....	14,450,555
Total.....	\$26,274,823
The amount of the Interior debt recognized by the nation.....	\$95,000,000
Total.....	\$402,931,351
The interest on the indicated exterior debt amounted to more than \$14,000,000 annually.	
The exterior debt in 1862, in conformity with the liquidations of the Republic:	
Bond-holders of London.....	\$51,208,250
English Convention.....	4,175,000
Spanish Convention.....	6,633,423
French Convention.....	190,845
Ditto, of the Padre Mora.....	825,000
Total.....	\$63,032,518

Comparison.

Exterior debt of the Republic, according to the operations of 1850, and liquidated in 1862.....	\$63,032,518
Recognized exterior debt of the so-called Empire.....	307,931,351

Difference.....\$244,898,833

The exterior liquidated debt of the Republic earned an annual interest of a little less than \$2,000,000.

e. The end of the Conventions with European Governments.

262. As far as concerns the debts legitimately contracted by the Mexican nation, before the foreign intervention with English and with Spanish subjects, which constitute the debts included in the conventions, it must be taken into account that France, England and Spain, having allied themselves to invade Mexico, by the treaty of October 31, 1861, and England and Spain, after returning from Mexico in 1862, having by their land and sea

260. It does not appear that the United States recognize as valid the arrangements between Maximilian and Napoleon.

261. Comparison of the legitimate debt of Mexico with that intended to be forced upon her by the French intervention.

262. The Conventions celebrated by Mexico with European Governments were broken by these in declaring war against her.

forces recognized the order of things established here by the French intervention, both nations broke, by their own conduct, the treaties which bound them to Mexico, and in consequence the debts recognized under convention remained in the condition in which they were before the celebration of the conventions which were broken by their own proper acts; that is, with the character of obligations contracted by the Mexican nation with private persons of different nationalities, residents in this country, without any intervention on the part of the foreign Governments. It cannot help causing some surprise that the Report appears to put in doubt the clear rights of Mexico on this point.

263. This is the position assumed by Mexico since the year 1867, in which France had to retire her invading forces from here, and which has been sustained by all the administrations that have since then ruled the destinies of the country. Mexico, then, has implicitly supported, and does support with full right, the fact that the convention which she had celebrated with England and Spain before the intervention, have been annulled by these nations in making war against Mexico to establish here a foreign intervention, and that the credits to which the said Conventions refer, have remained in the condition in which they were before celebrating the same conventions; that is, as an obligation against Mexico in favor of private persons, without any interference of any foreign Governments.

264. As among the stipulations of these extinct conventions, figured the special assignments of a part of the public revenues of Mexico for the payment of the debts to which they referred; the natural consequence of their rupture is the ceasing of the hypothecation, and the consequent liberty of the Government of Mexico to consider her debts, as formerly conventionalized, under the same basis as the others, and to attend to them in the same manner, without being bound by the pledges and stipulations of those extinct compacts.

f. The Debt Contracted in the United States.

265. During the war of intervention sustained by Mexico, first against the three European Powers that signed the Treaty of Alliance on the 31st of October, 1861, and afterwards against France, the Government of the Republic found itself under the necessity of sending special agents to the United States, for the purpose of obtaining pecuniary resources to sustain the war of independence. The operations of these commissioners occasioned difficulties, which have been detailed at length in a volume published in this capital in 1867, under the title of "Contracts made in the United States by the Commissioners of the Mexican Government during the years 1865 and 1866."

266. Of all the operations that were attempted to be carried into effect in the United States during the war of the intervention, the only one which was in part realized was the emission of bonds made by General Jose Maria de Jesus Carvajal, dated in San Carlos, Tamaulipas, July 4th, 1865, whose corresponding contract celebrated with Messrs. Corlies & Co. of New York, was approved by the representative of Mexico in Washington on the 11th of September, 1867. The total issue of these bonds, in conformity with the contract, was \$2,950,000, the distribution of which appears in detail in the volume alluded to.

267. By the bonds signed by General Carvajal, and authorized by the Secretary of the Mexican Legation in Washington, sixty per cent. of the federal revenues and those of the State was pledged for their payment. The State rents pledged were those of the States of Tamaulipas and San Luis Potosi. This arrangement is somewhat different from what might be understood from the terms of the Report, which assures us that sixty per cent. of the custom-house incomes of Mexico was pledged to pay the debt contracted in the United States.

268. As far as the actual amount of this debt is concerned, it must be borne in mind that the capital awaiting payment is \$1,438,050, on account of the rest having been paid in various operations; the corresponding coupons still owing on this capital reaching the amount of \$1,366,834, up till the twenty-sixth half-year completed on the 1st of October, 1868.

g. Other Debts of the Mexican Government.

269. Although the Report speaks only of the debts that have thus far been mentioned in this communication, which are called "the debts which Mexico owes in Europe," and it considers that the Governments of France, Spain and England have some intervention in them, and it is therefore thought proper, in order to afford a complete idea (as far as possible) of the condition of the public debt of Mexico, to insert the following synopsis of the capital, and its titles against the Mexican revenues, the separate interest on that capital, and the result which would be given by the realization of the arrangement celebrated on the 6th of December, 1876, with

263. Mexico has assumed this position and sustained it since 1867.

264. The rupture of these Conventions has terminated the hypothecation in favor of the credits comprised in them.

265. Pecuniary negotiations effected in the United States during the war of intervention.

266. The total issue of bonds made by General Carvajal was equal to \$2,950,000.

267. The Carvajal bonds pledged a part of the Federal revenues and the local rents of San Luis Potosi and Tamaulipas.

268. The inexactness of the data of the report about the sum due on the Carvajal bonds.

269. Synopsis of the legitimate debt of the Mexican nation.

the creditors of the Republic ; which synopsis, corrected up till the present hour, was sent with the explanation addressed by this Secretary's office to the Congress of the Union on that date, when submitting that contract for its approval.

"Synopsis of the circulating capital under the titles against the federal revenue, of their separate interests, and the probable results which would be given by the approval of the contract celebrated with the creditors on the 6th of December, 1878 :

		Capital and interest till June 30th, 1878.	Capital and interest till June 30th, 1878, reduced to 50 per cent.	Interest to be earned at 6 per cent.
I. & II.	Bonds at three per cent. of the 30th of November, 1850.....	\$1,868,550 29	\$934,275 15	\$56,056 51
III. & IV.	Bonds at five per cent. of the 19th of May, 1852.	734,160 06	376,080 03	22,024 80
V.	Bonds created according to the decree of September 12th, 1862 (without interest).....	33,029 24	16,514 62	990 88
VI.	Bonds issued in San Carlos, Tamaulipas, on the 4th of July, 1865, capital and interest at seven per cent.	2,804,893 25	2,804,893 25	100,663 50
VII.	Titles issued before the 30th of November, 1850, and because deferred by this law they lost their interest. According to the law of November 30, 1850, \$12,000,000. Ditto, according to that of September 12th, 1862, \$1,500,000.....	13,500,000 00	6,750,000 00	405,000 00
VIII.	Certificates issued by the Treasury of the three and five per cent. bonds, according to the order of January 4th, 1861, without interest.....	24,915 93	12,457 96	747 48
IX.	Certificates of the Treasury, according to the order of the 17th of January, 1861, and laws of the 14th and 16th of February, 1861. (No antecedents)			
X.	Certificates issued from the Accountant's office and bureaus of liquidation, in conformity with the law of the 19th of November, 1867, without interest.....	6,808,874 22	3,404,437 11	202,266 23
XI.	Unconverted credits according to the laws of November 30th, 1850, and 19th of May, 1852, represented by receipts issued by the Bureau of Liquidation, created by the former law. (No antecedents.)			
XII.	Back pay on account of salaries and pensions, civil and military, loans, &c., from November 20th, 1867, till June 30th, 1878, without interest. Approximate calculation, there being no antecedents	5,916,937 33	2,958,468 66	177,508 12
XIII.	Certificates for collection (cobre) in Chihuahua, in conformity with the basis agreed on August 20th, 1868, without interest.....	140,000 92	70,103 46	4,206 21
XIV.	Certificates for collection in Sinaloa, issued by order of September 25th, 1875, without interest. According to date in the Treasury and the Revenue Office of Sinaloa, nothing is owing, nor does there exist any credits in addition to the \$208,428 60 cancelled; or if so, they must be of very little value.....			
XV.	Mexican bonds issued in London, in conformity with the law of October 14th, 1850, (capital)...	51,208,250 00	25,604,125 00	1,536,247 50
XVI.	Coupons of the Mexican bonds issued in London, in conformity with the law of October 14th, 1850, (interest).....	19,240,219 73	9,620,109 86	577,206 59
XVII.	Bonds issued by virtue of the conventions of the 4th and 6th of December, 1851, without interest	7,239,269 14	3,619,634 57	217,178 07
XVIII.	Capital of the bonds issued by virtue of the convention of November 12, 1853, losing their interest.	5,174,411 75	2,587,210 87	155,232 65
XIX.	Bonds issued in London in addition to those converted by virtue of the law of December 14th, 1850, losing their interest. (The sum liquidated as just).....	2,500,000 00	1,125,000 00	75,000 00
	Total.....	\$117,193,727 86	\$59,999,310 54	\$3,532,328 54

NOTE.—According to data in the Memorandum of the Treasury, of the 10th of December, 1877, corresponding to the year 1876 and 1877, and the balances on the books of the Treasury for the fiscal year of 1868 and 1869, and that struck on the 28th of November, 1876, the sum of \$406,003 11 in bonds of the old conventions appears cancelled, without deducting the total sums, on account of not knowing the quantities which correspond to each class. The entries of the credits IX., XI., and XIV. are not considered on account of their amounts being unknown, but knowing these, their totals ought to be added, which would probably be compensated by the \$406,003 11 mentioned, and which sum has been cancelled in foreign offices, and of which the corresponding data are at hand. Mexico, December 6, 1878.”

270. The preceding document shows that the present total estimated capital of the public debt of Mexico is \$117,193,727 86, and that once the contract of December 6th, 1878, be approved by Congress, this will be reduced to \$59,999,310 54, leaving an annual interest to pay of \$3,532,328 54; which sum differs a good deal from what is set down in the Report.

h. The sum of the Public Debt in Mexico.

271. The Report calculates at \$125,000,000 the debt of Mexico in Europe. Probably this calculation was based upon a note sent by the Mexican Legation in Washington to the Department of State, and published among other documents contained in the message which the President addressed to the House of Representatives, on the 20th of March, 1866, in reply to a resolution of that House, asking for such information as the Executive might have about the condition of affairs in Mexico, approved December 11th, 1865. (XXXIX Congress, first session; Executive Document No. 73.) It is to be noted that in this note, which emanated from the Mexican Legation in Washington, was comprised only the debt of Mexico on account of the two loans contracted in London, in 1824, by the English, French and Spanish conventions, and by reclamations pending with subjects of these nationalities, expressing separately the capital and interest of these debts, up till the 30th of June, 1862, in the following form:

Debt contracted in London and the English convention, its interests and English claims.....	\$69,311,657 00
Spanish convention, interest and claims.....	9,460,986 00
French convention and pending claims.....	2,859,917 00
Total.....	\$81,632,560 00

272. Separating what corresponds separately to capital and interest of these debts and the amount of pending claims, the following result is obtained:

For Capital.

To English subjects.....	\$55,383,250 00
To Spanish subjects.....	6,633,423 00
To French subjects.....	190,000 00
Total.....	\$62,206,673 00

For Interest.

To English subjects.....	\$13,231,793 00
To Spanish subjects.....	1,549,563 00
Total.....	\$14,781,356 00

For pending Claims.

To English subjects.....	\$696,614 00
To Spanish subjects.....	1,278,000 00
To French subjects.....	2,669,917 00
Total.....	\$4,644,531 00

Total of the debt.....	\$81,632,560 00
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273. As the note referred to, of the Mexican Legation in Washington, had for its principal object that of making a comparison between the debt of Mexico, as recognized by the Constitutional Government of the Republic, and the enormous charge which the pretended Empire of Maximilian wished to weigh down upon the country,

270. The interest on the debt, in conformity with the Convention of December 6th, 1878, is equal to \$3,532,328 54

271. Probable origin of the report with respect to the debt of Mexico with France, England and Spain.

272. The confounding of the capital with the separate interests of this debt.

273. The principal object of the note concerning the public debt of Mexico sent to the Department of State in 1866.

through its onerous contracts made abroad, and its extravagant expenditures in Mexico, all the claims pending before the Constitutional Government of the Republic, and the capitalized separate interests on the debt were included, and under these bases, and with data not completely official, but furnished by an employe of the general Treasury of the Mexican Government, the annual interest on the debt of the Republic was fixed at \$2,760,022.

274. The Report, probably starting out with this data regarding the interest and the \$81,632,560 set down in the note of the Mexican Legation as the sum of the capital of the debt in June, 1862, calculated that actually the debt of Mexico is near \$125,000,000, including in this sum the interest of ten years on \$81,632,560, at the rate of \$2,760,022 annually.

275. It appears from the liquidation that has now been completed with all the different classes of titles that form the Mexican debt, and which is more exact than any former information, that the total is \$117,193,727 86; a result which is notably different from that given by the Report, seeing that in this is included only what is called the debt of Mexico with England, France and Spain, and the liquidation mentioned embraces all the public debt of Mexico, including that contracted with the United States, which the Report names separately.

276. Indeed the Report says that the debt which Mexico has contracted with the Governments of France, England and Spain reaches, inclusive of its interest, \$125,000,000. It has already been shown that actually Mexico has no debt contracted with European Governments; that during some time this character could be given to the debt called the "English and the Spanish Conventions," whose capital hardly reaches at present \$12,413,690 89; that the debt contracted in London, which forms more than half of the total debt of the Mexican nation, has never been under convention, nor has the English Government ever had any interference with it; and that, even supposing, as is indicated by the Report, it should be given by the European Governments the character of a Mexican debt, the same as the extinct English and Spanish Conventions and the debt contracted in London, the capital of them all would hardly reach \$63,621,940 89, in following form:

Capital of the bonds issued in London, by virtue of the law of October 14, 1850..	\$51,208,250 00
Bonds of the extinct English conventions.....	7,239,269 00
Bonds issued by virtue of the extinct Spanish convention.....	5,174,421 75

Total of these credits\$63,621,940 89

277. And even if to this sum the interest is added, and if the terms fixed by the Mexican Government in the contract of the 6th of December, 1878, be not admitted, that debt would hardly reach \$112,416,659 53. It is, therefore, not exact, as the Report asserts, that it represents \$125,000,000, and that to the payment of it nearly all the disposable part of the income from the maritime custom-houses is pledged. The contract of December 6th, 1878, once accepted, the only assignment made in favor of the Mexican debt will be the ten per cent. of the product of the federal revenues of the Republic.

i. Amounts paid on account of the Mexican debt.

278. The Report says that Mexico has not paid, for the space of twenty-four years, a single six-monthly dividend of interest upon what is called the European debt, and that from 1861 she has not given a single dollar on account of these interests; but neither is this statement exact. Without including considerable sums paid by Mexico to her European creditors from 1858 to 1861, when the foreign intervention commenced, it must be remembered that the Government of Maximilian, which pretended to assume the representation of Mexico, paid considerable amounts, as well to the Mexican bond-holders in London, as to the creditors comprised in the English, French and Spanish conventions.

279. It would seem convenient, on this account, to give the following statement of the sums paid by Mexico to her foreign creditors, as mentioned in the memorandum of this Secretary's office on the 16th of September, 1870, (page 556, paragraph 2,120):

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274. Explanation of the inaccuracy of the Report.
 275. Specific and exact statement of the amount of the public debt in Mexico.
 276. Correction of the data in the Report with regard to the public debt in Mexico.
 277. The sum total of the debt of Mexico to which the Report refers.
 278. Inaccuracy of the Report in saying that Mexico has paid nothing on account of the interest on the debt since 1861.
 279. Statement of the payments made by Mexico to English, Spanish, and French subjects.

GENERAL SYNOPSIS OF WHAT HAS BEEN PAID TO ENGLAND, SPAIN AND FRANCE.

England.

Paid to the bondholders on account of cancellation in.....	\$29,535,937	94
To Don Pedro Anzoategui for several English subjects.....	88,543	00
To Drusina for the same.....	123,210	00
To Don Francisco Murphy.....	64,402	00
To Jamisson & Co.....	19,674	00
To several English subjects.....	6,132	00
To Don Santiago Humphry.....	3,445	00
To Walter Logan.....	118,750	00
To the same.....	74,000	00
To Don Sylvestre Mercia.....	1,800	00
To several, on account of conventions and other claims.....	5,475,514	73
Ditto, on account of the <i>conducta</i> of San Luis Potosi.....	253,603	73
Ditto, on account of the <i>conducta</i> of Laguna Seca.....	428,461	54
Total.....	\$36,193,478	65

Spain.

Paid to the firm of Martinez del Campo.....	\$105,919	00
Ditto, to the house of Don Juan Manuel Lasquetty.....	23,313	00
Ditto, to several, on account of the first convention, for interest.....	424,971	37
Ditto, to the credits of the Padre Mora, capital and interest from 1845 to June, 1861.....	684,037	40
Total.....	\$1,238,240	77

France.

Paid on account of the claims of 1840, after the bombardment of Uloa and Vera Cruz.....	\$600,000	00
Paid in 1850 and 1851, to Don Jose Cavalier.....	107,800	00
To Don Jose Limantour.....	160,000	00
To Don Carlos Dubois de Luchet.....	73,000	00
To Don Adolfo Delong.....	28,000	00
To Don Luis Cavalier.....	3,001	00
To Baron Norman.....	5,000	00
To Legrand Brothers.....	3,246	00
To Francisco Duval.....	1,500	00
To Teodoro Boulanger.....	1,800	00
To J. A. Redonet.....	60,057	00
To Luis Fort.....	11,250	00
To Serment, P. Fort & Co., for the first French Convention.....	1,124,287	47
To Jecker, Torre & Co., for the second French Convention.....	109,143	00
To Mr. Julio Raillard.....	70,383	93
To several, for the third convention.....	1,183,769	57
Jecker bonds cancelled at par in the offices of Mexico in 1859 and 1860.....	544,127	00
Total.....	\$4,086,364	97

Grand total.....\$41,518,079 39

280. From what is given above, it appears that the conclusions of the Report are inexact with regard to the Mexican Government having pledged nearly all the incomes of the maritime custom-houses, which form the principal basis of its revenue to European Governments, for the payment of the debts which it is supposed to have incurred with them. The hypothecations agreed to with the holders of the Mexican bonds in London, which bonds, as has already been said, form more than one-half of the public debt of Mexico, have ceased, by virtue of the reasons elsewhere expressed, and the creditors themselves have recognized this fact by the contract which their representative entered into with the Mexican Government on the 6th of December, 1878. The hypotheca-

280. Mexico has not pledged the income from her custom-houses for the payment of her foreign debt.

tions embraced in the English and the Spanish Conventions have in the same manner ceased, because Great Britain and Spain made war against Mexico in 1861, and because of having, after 1862, broken the neutrality which they owed her, by recognizing the order of things which the Emperor Napoleon attempted to establish here.

281. The best proof that can be given that the hypothecation is imperative, though the Report assures the contrary, as to that of the custom-house incomes, is the fact that all the companies which have solicited concessions for the construction of railroads in Mexico have urgently asked for this same hypothecation, to secure themselves in the payment of the subsidy offered, and that when it has been possible to concede this, they have accepted it with satisfaction; understanding that Mexico has conceded it in some cases wherein the notorious convenience of pushing forward the improvements proposed to be reached by means of the contracts, appeared superior to considerations of another kind, which have kept the Mexican Government from contracting that class of obligations. Such have been, for example, the cases of the Vera Cruz railroad, during its construction, and the international railroad of Texas.

282. No news has been received to the effect that these new hypothecations have produced any reclamations by the governments of England or Spain.

4. RAILROAD PRIVILEGES GRANTED BY MEXICO TO AMERICAN COMPANIES OR CITIZENS.

283. Facts demonstrate that, far from the Mexican nation or the Government thinking it dangerous to grant railroad or other concessions to North American citizens, these have constantly received them.

284. It is deemed convenient, in order the better to clear this point, to make a statement of the concessions to North American companies, and the facts occurring since the war of intervention will be only spoken of, because from that time the construction of works material to the progress of the country has been pushed with more earnestness. With the same object there will also be mentioned some concessions of another kind, which have been made to the citizens of the United States.

A. STATEMENT OF THE RAILROAD CONCESSIONS MADE TO NORTH AMERICANS.

285. Some of the concessions that are mentioned in the following statement, such as the road from Paso, or Presidio del Norte to Guaymas, of the 5th of April, 1865, were not originally made to citizens of the United States, but they were given with the fore-knowledge that they would be transferred to American citizens, or afterwards the transfers were formally approved. In other cases, like that of the concessions made to Messrs. Sullivan and Palmer, on the 12th of November, 1877, the contract signed by the Executive has not yet been approved by Congress. In each case its present condition will be given.

a. Railroad from Paso, or Presidio del Norte to Guaymas.

286. By decree of the 15th of April, 1865, the company represented by General Angel Trias was authorized to construct a railroad, starting from Presidio del Norte, or from the town of El Paso, and terminating in the port of Guaymas, to unite by this means the United States system of railroads with our frontier, and with one of our ports on the Pacific. By the concession referred to there was ceded to the company half of the waste lands that might be found within a league of each side of the road, throughout the length of the line; bearing in mind that at that time there was in the States through which this railroad should pass a great deal of waste lands, which since that time are being progressively located by private parties.

287. The company which General Trias represented, and to whom the concession was given, was established in New York, and Mr. James R. Whiting became its president, a gentleman who is a citizen of the United States, and a resident of that city.

288. The company represented by Mr. Whiting did not comply with the conditions of its contract, and therefore the Congress of the Union conceded, by virtue of the law of January 13th, 1869, permission to the

281. The pledging of her revenues is inoperative, seeing that those who offer to construct railroads ask for it.

282. No news has been received to the effect that European nations have made reclamations on account of the assignments made by Mexico.

283. Railroad concessions made by Mexico to companies and to citizens of the United States.

284. Statement of the railroad concessions from the war of intervention till 1865.

285. An exact statement of the actual condition of each concession granted.

286. Concession of April 15th, 1865, of the Presidio or Paso del Norte and Guaymas railroad.

287. Transfer of this concession to the North American company of which Mr. Whiting was president.

288. Concession of the Presidio del Norte and Guaymas railroad made on January 13th, 1869, to Mr. Julius A. Skilton.

company represented by Mr. Julius A. Skilton, who at that time had the character of United States Consul in Mexico, to construct a railroad from Presidio, or from Paso del Norte, to the port of Guaymas, or to any other point on the Gulf of California on the coast of the State of Sonora.

289. The company represented by Mr. Skilton not having complied with its contract, a new one was made on June 16th, 1875, with Mr. David Boy le Blair, for the construction of this railroad, whose contract was supplemented on November 3d of the same year, and declared lapsed June 15th, 1877, on account of non-compliance with the conditions.

290. On the 10th of June of the same year the same concession was newly made to Messrs. Robert Symon and David Fergusson. This concession was supplemented October 12th, 1877.

291. With the Commission of the Manufacturers of the United States, which has just arrived in this city, come one of the grantees of this railroad, Mr. Robert Symon, who reports that the company has already made the necessary arrangements to at once construct this road in connection with the Atchison, Topeka and Santa Fe railroad.

292. Six times, then, has the Government contracted with North American companies for the construction of this line; on April 15th, 1865, with the company represented by General Angel Trias; January 13th, 1869, with Mr. Julius A. Skilton; June 16th, 1875, with Mr. David Boy Le Blair; November 3d of the same year with the same Mr. Boy Le Blair; June 17th, 1877, with Messrs. Robert Symon and David Fergusson; and with the same parties on October 12th, 1877.

293. It seems proper to mention here what the representative of the United States said in a discourse pronounced by him in New Orleans November 18th, 1875, with respect to the concession granted to Mr. David Boy Le Blair in the same year, and which has been alluded to in another place. It is as follows:

"During the same period of its sessions, Congress decreed the building of a railroad which, starting from Guaymas, State of Sonora, would reach the dividing line with the United States in the direction of Tucson, capital of the Territory of Arizona. This railroad has been contracted for with Messrs. David Boy Le Blair & Company. For the purpose of co-operating in the realization of this project the government proposes the magnificent donation of alternate sections of waste land of thirty-five square miles, in that State, for each lineal mile of the road, exempting the road from taxes and conceding to it other privileges similar to those conceded to the project that I have before spoken of."

b. Tehuantepec Canal and Railroad.

294. The President, who was amply invested with extra powers, issued in Paso del Norte, on the 15th of October, 1866, a decree, declaring that the concession made September 7th, 1857, to the Tehuantepec Company of Louisiana, for the purpose of opening up inter-oceanic communication on that isthmus, had lapsed on account of non-compliance with the conditions imposed by the concession, and gave it to another North American company called the Tehuantepec Transit Company, whose president was Mr. Charles Knap, of New York, and whose agent had been sent to Paso del Norte in the person of Mr. Henry Roy de la Reintrie.

295. Not having complied with its engagements, the concession of the Tehuantepec Transit Company was declared to have lapsed, and on the 6th of December, 1867, the President of Mexico, who was invested with extra powers, granted to Mr. Emilio de la Sere, a citizen of the United States, or to the company which he might form, a concession for the opening up of inter-oceanic communication through the Isthmus of Tehuantepec. The terms were very liberal, and are too long to be here enumerated.

296. This concession was modified by a law of the Mexican federal Congress, enacted December 29th, 1868, at the petition of the parties interested.

297. The Mexican Congress conceded to the same North American Company who had been authorized to construct this railroad, by virtue of the law dated on December 14th, 1870, the right of constructing a canal for navigation on the Isthmus of Tehuantepec. The terms were equally liberal.

289. Concession of June 16th, 1875, in favor of Mr. David Boy Le Blair.

290. Concession of June 19th, 1877, made in favor of the same line to Messrs. Robert Symon and David Fergusson.

291. Arrangements that have already been made for the construction of this line.

292. This line has been six times contracted for by the Mexican Government with North American companies.

293. Mr. Foster's views with regard to this concession.

294. Concession of October 15th, 1866, to the Tehuantepec Transit Company of Mr. Charles Knap.

295. October 6th, 1867, concession given on Tehuantepec to Mr. Emilio La Sere.

296. Modification of this concession by the law of Congress, December 29th, 1868.

297. December 14th, 1870, concession granted the same company to construct the Tehuantepec canal.

298. The concession granted by the laws of December 28th, 1868, and of December 14th, 1870, having expired without any of the works contracted for having been constructed, the grants were renewed on the 22nd of May, 1872.

299. These new periods for fulfilling the contracts having expired, the concessions were again renewed for the space of one year, on the 15th of January, 1874.

300. The law of December 14th, 1874, conceded new and important advantages to the company that undertook the construction of the canal for navigation on the Isthmus of Tehuantepec, and among them a subvention of \$7,500 for each kilometre of railroad that might be constructed on the Isthmus.

301. On January 19th, 1878, the Government of Mexico entered into a new contract with Mr. Henry de Stuckle, representative of Mr. Edward Learned, President of the North American Company, for the construction of the Tehuantepec railroad.

302. Before receiving the approval of Congress this contract was modified and another executed on the 31st of October, 1878, with Mr. Hayden H. Hall, who represented the same Mr. Learned, for the same purpose. This contract, wherein a large pecuniary subvention and grant of waste lands were given to the builders of the railroad, was submitted to Congress for its approval. The respective committee of the Chamber of Deputies made a favorable report, the discussion of the matter was commenced during the last period of the session and was in general approved, the result remaining pending for the approaching session. The report was approved, in general, by 100 against 28 votes, a thing which shows the feeling of the majority of the Chamber of Deputies with regard to railroad grants in favor of North American companies.

303. Nine times, then, has the Government of Mexico contracted, in a little less than ten years, with North American companies, for the construction of the inter-oceanic canal and railroad of the Isthmus of Tehuantepec, without having accomplished the construction of a work so important to the world's commerce; and, notwithstanding, according to data existing in this Secretary's office, the traffic in merchandise proceeding from the colonies of Australia, islands of the Pacific, China, Manila, Batavia and California, destined to Europe, and going from Europe to those countries, is equal to 2,004,119 tons a year, of which quantity it is calculated that 1,570,511 tons would pass over the Tehuantepec railroad, and leave an earning of \$7,852,555, charging at the rate of five dollars a ton for carrying it.

304. Referring to the additional time conceded by the Mexican Congress, through the law of December 14th, 1874, the representative of the United States in Mexico said, in his speech pronounced in New Orleans, on the 18th of November, 1875, as follows:

"For the fourth time the concession for the Tehuantepec railroad has been renewed to an American company, a railroad which must cross that isthmus, and a subvention of \$2,000,000 has been decreed in favor of it, with special privileges regarding the precious woods there found, and with exceptions, &c. The object of this concession is to open for New York and for all the ports and cities on the Gulf new ways of communication with our States on the Pacific, with China, and with the islands of the ocean.

d. Tuxpam and Pacific Railroad.

305. By the law of December 10th, 1870, the Congress of the Union also conceded to Messrs. Richards, Smith and Brennan, who were considered as the agents of General Rosecrans, the right of constructing an inter-ocean railroad, which, starting from any point situated between the bars of Tecolutla and Tampico, should terminate at another point situated between Zacatula and San Blas, on the Pacific Ocean. By the law of October 10th, 1872, the Executive was authorized to modify the terms of this concession.

h. The Vera Cruz and Pacific Railroad passing through Anton Lizardo, Tehuantepec, Cuernavaca and Acapulco.

306. The law of December 14th, 1870, conceded to the American citizens Rene Masson and Felix Wyatt

298. May 22d, 1872, renewal of the preceding concessions.

299. Another renewal, January 15th, 1874.

300. Law of December 14th, 1874, granting new advantages and a pecuniary subvention to the same company.

301. Contract of January 19th, 1878, with Mr. Henry de Stuckle, for the Tehuantepec railroad.

302. The last contract for the same line, made with Mr. H. H. Hall, October 31, 1878.

303. The Tehuantepec concession has been granted nine times to American companies.

304. Mr. Foster's views with respect to the concessions made to this company.

305. Tuxpam and Pacific railroad concession made on December 10th, 1870, to Messrs. Richards, Smith and Brennan.

306. Concession of December 14th, 1870, to Messrs. Masson and Wyatt, for a road from Vera Cruz, *via* Anton Lizardo, to the Pacific.

authority to construct and work a railroad and telegraph line running from Vera Cruz to its junction with the inter-ocean railroad of the Isthmus of Tehauntepec, passing through Anton Lizardo, and so on from that point, or other convenient one, through Matamoras, Izucar and Cuernavaca, to the point of Acapulco, on the Pacific.

i. Railroad from Leon to the frontier of the United States.

307. The International Railroad Company of Texas, which ought to be a respectable company, seeing that it has already built many miles of its line, which now reaches San Antonio, according to what is stated in the Report, solicited and obtained a concession from the Mexican Government through its agent, Mr. Edward Lee Plumb, for the construction of a railroad from the Rio Grande to the city of Leon, in the centre of this Republic. The law of May 29th, 1875, granted this concession, but neither has this road been constructed by the company.

308. In speaking further on of the railroad from Mexico to Leon, contracted for on December 30th, 1874, with Messrs. Sebastian Camacho and Jose Antonio Mendizabal, this concession will be again mentioned and its advantages explained.

309. It seems proper to record the interesting observations made on this occasion by the representative of the United States in Mexico, in the speech which he delivered before the New Orleans Chamber of Commerce on November 18th, 1875, which are as follows :

“While the Southern Pacific Railroad will bring to the United States the inexhaustible wealth of the precious metals hidden in the high Sierra Madre, affording to us the agricultural advantages of the northern states of Mexico, it is paralyzed and languishes for the want of government aid ; and while the construction of the international railroad of Texas, which must reach the Rio Grande, has been embarrassed by delays which have their origin in the legislation of that State, Mexico has given evident proofs of her desire to protect any practicable railroad project that would facilitate railroad communication with the United States, or that would tend to develop the commercial relations with us.

“During the last period of the sessions of the Mexican Congress a law was passed whereby a contract was made with the International Railroad Company of Texas, represented by the Hon. Edward L. Plumb, for the construction of a railroad from the Rio Grande to the city of Leon, a distance of about from 600 to 700 miles, and where it will unite with the railroad system of that country ; and the government has agreed to pay, as a subvention to the company, \$15,288 per mile, with an additional premium if the road be finished before the expiration of the time named in the contract, and the road has been exempted from all taxes, admitting free of duty all the materials to be used on it.”

g. Railroad from the City of Mexico to the Pacific, and to the American Frontier.

310. In another part of this communication it has already been stated that on November 12th, 1877, a contract was signed by the Secretary of the Interior, who represented the Executive, and Mr. James Sullivan, for himself and for Mr. William Palmer, for the construction of a railroad starting from this capital and terminating at the Pacific, on the one hand, and on the other going to some convenient point along the frontier of the United States. Having already stated everything relating to this affair, it is deemed unnecessary to repeat it here.

h. The Vera Cruz and Alvarado Railroad, with its branch to Anton Lizardo.

311. The government of Vera Cruz contracted, on March 26th, 1878, for the construction of a railroad from Vera Cruz, with a branch to Anton Lizardo, and the concession was transferred on the 8th of the present month to Mr. John Dunn, of Wilmington, Delaware, a citizen of the United States. Although this concession was especially given through the government of that State, it may be enumerated among those conceded to American citizens, by virtue of the contract above named.

B. Concessions of other kinds granted to North American companies.

312. For the purpose of demonstrating that there does not exist in Mexico any prejudice against the United States, it is deemed proper to mention that in addition to the preceding railroad concessions, other con-

307. Concession for the railroad from Leon to the United States, granted to the International Company of Texas, May 29th, 1875.

308. While speaking of the Central railroad, the Leon and Frontier line will again be mentioned.

309. Mr. Foster's views about this line.

310. Contract of November 12th, 1877, with Messrs. Sullivan and Palmer, for the international and inter-oceanic railroad.

311. Contract for the building of the Vera Cruz, Alvarado and Anton Lizardo railroad.

312. Concessions of other kinds granted to North American companies.

tracts of considerable interest have been made with companies or citizens of that nation, of which the following are the principal:

a. Submarine Cable from Mexico to the United States.

313. Other contracts have also been made with American companies for the construction of a submarine cable from any point on the Mexican coast to any other on the coast of the United States. The first contract made with Mr. Henry G. Norton was approved December 13th, 1870, by Congress. This concession was modified at the petition of the party interested, and by virtue of a Congressional law dated October 27th, 1871. The period fixed for the construction of the work was prolonged for another year by the law of April 11th, 1872. Until the present, it has unfortunately not been possible to contract or lay this cable.

b. Contracts with North American citizens for the renting of mints.

314. The contracts for the renting of mints, which are the most lucrative sort of business in this country, have also been done with citizens of the United States, which shows that they are looked upon as all the other inhabitants of the country, and that in nothing, nor for anything, have they been excluded or looked upon with any want of confidence.

C. Short statement of the contracts conceded to North American companies.

315. From the preceding data it appears that from the year 1865 Mexico has granted to companies or citizens of the United States nineteen concessions for the construction of railroads in the Republic, in the following order: To the line from Paso del Norte to Guaymas, six times; to that of the Isthmus of Tehuantepec, nine times; once to each of the lines from Tuxpam to the Pacific; from Vera Cruz to Anton Lizardo, to the Isthmus of Tehuantepec, and from San Anton Lizardo to Matamoros Izucar, Cuernavaca and Acapulco; from Leon to the frontier of the United States, and from Mexico to the Pacific and to the frontier of the United States; and, as has already been stated, additional concessions have been made to them for the laying of submarine cables, and for other purposes.

316. The speech of the Hon. John W. Foster, pronounced November 18th, 1875, in New Orleans, which has already been cited, contains the following important expressions about the railroad concessions made by Mexico to American companies:

"All these concessions have been made in favor of American citizens; I trust that our capitalists will know how to utilize them, and that even in this period of mercantile prostration and of paralization in railroad enterprises, the initiative and efforts of Mexico will be received favorably as possible, seeing that she wishes to make us participants in her yet undeveloped wealth."

5. RAILROAD CONCESSIONS MADE TO COMPANIES OTHER THAN AMERICANS.

317. The best proof that could be given that Mexico has no hostility or ill will against the employment of North American capital in railroad enterprises throughout her territory is to be found in a comparison of the number of concessions made to North American companies, which have just been mentioned, with the number of concessions granted to companies of other nationalities, including the Mexicans, and excepting only the contracts recently made with Governors of the States, which will be spoken of hereafter, for it will thus be seen that, relatively, the greater number of concessions has been granted in favor of North American citizens.

318. For this purpose, then, the following statement of concessions granted since 1865 to companies or private persons of other nationalities than that of the United States is made, this being the period embraced in the preceding summary:

A. STATEMENT OF THE RAILROAD CONCESSIONS MADE TO COMPANIES OTHER THAN AMERICANS.

319. As succinct a statement as the preceding one will be made of the concessions for the construction of railroads which have been made in favor of companies or private persons, not Americans, and all those approved

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- 313. Different concessions given to Mr. Henry G. Norton, for the construction of a submarine cable.
 - 314. Contracts for the renting of mints to North American companies.
 - 315. Synopsis of contracts with North American companies for the construction of railroads in Mexico.
 - 316. The views of Mr. Foster upon the concessions made to American companies.
 - 317. Railroad concessions made to companies other than American.
 - 318. Concessions posterior to October 15th, 1865, will be mentioned.
 - 319. Detailed statement of railroad concessions given to companies that were not American.

by Congress will be explained and their conditions given, and the statement will conclude a summary of these concessions.

a. Railroad from Mexico to Vera Cruz.

320. Although the concession for the construction of the railroad from this capital to Vera Cruz dates from a period long anterior, it will here be mentioned, notwithstanding that on the 27th of November, 1867, a contract was executed with the Mexican Railroad Company, limited, for the purpose of arranging the difficulties caused through the contracts made by it through the French intervention, and to facilitate the finishing of the said line. The contract underwent some modifications under the law of November 11th, 1868, and by the agreement made March 15th, 1873, and approved by Congress on the 17th of December following. This matter will be spoken of further on in detail, and especially.

b. The Tuxpam, Pachuca and Mexico Railroad.

321. On the 15th of October, 1867, the corresponding authorization was conceded to Messrs. Antonio Morales Montenegro and Manuel B. de Cunha Reis, for the construction and working of a railroad starting from the north-east of this capital and running past Tlalnepantla, Cautitlan, Zumpango, Tizayuca, Tulancingo, Huachinango, Xico, and ending at a navigable point on the river Tuxpam, the rest of the route to the port of Tuxpam to be made by steamers. From any point to be chosen by the company a branch should start to Pachuca. This contract, which was the second made in the matter of railroads by the Government of Mexico after occupying the capital of the Republic upon the fall of the so-called Mexican Empire, lapsed on account of Messrs. Morales Montenegro and Cunha Reis not having complied with the obligations imposed by article 30.

c. The Vera Cruz, Puebla, Jalapa and Perote Railroad.

322. A concession was granted on May 23d, 1868, to Mr. Ramon Zangroniz to follow up the construction of a railroad between Vera Cruz and Puebla, passing through Perote and Jalapa. This concession was renewed and modified by the law of May 24th, 1871, but lapsed on account of having been ceded to a corporation without the consent of the federal Government.

323. This same railroad was afterwards contracted for, with slight modifications, with the Mexican Railroad Company of Vera Cruz and Mexico, limited, in the contract of March 15th, 1873, which will be spoken of while speaking about that line. The road is built for animal traction only, and reaches but to Jalapa.

d. The Mexico, Toluca and Cautitlan Railroad.

324. By decree of October 10th, 1870, Senor Don Mariano Riva Palacio, or the company which he might form in the State of Mexico, of which he was then Governor, was authorized to construct and work a railroad and telegraph line from the City of Mexico to that of Toluca, with a branch to Cautitlan, conceding to that enterprise the subvention of \$3,000 for each kilometre of road that might be constructed, and exemption from export duties at the rate of \$20,000 per kilometre. The railroad should have been finished in six years. This concession was the first in which a narrow gauge road was established.

325. Governor Riva Palacio transferred the concession on the 30th of the same month of October to the Mexico, Toluca and Cautitlan Railroad Company, giving at the same time plans of preliminary surveys of the ground, projects and estimates for the railroad, which he had ordered to be made in anticipation. In the deed of transfer of the concession, the capital of the company was fixed at two millions of dollars, which sum was equal to the estimates for the road, including building, rolling stock, stations, work-shops and accessories for the line between Mexico and Toluca, with the Cautitlan branch. The principal road, according to this primitive project, which was adopted with hardly any alteration in the portion built, measured 93 kilometres, and the Cautitlan branch 23½.

326. The part of the road called for by the concession was not constructed, and the time was prolonged by the law of May 21st, 1872, laying down that ten kilometres should be built by September 30th, 1872. The company built sixteen and a-half kilometres between Mexico and Tlalnepantla, opening them for public service in April, 1874.

320. Concessions made to companies of the Mexico and Vera Cruz railroad.

321. Concessions given to the Tuxpam and Pachuca railroad, October 15, 1867.

322. Vera Cruz, Puebla, Perote and Jalapa railroad, May 23, 1868.

323. This concession was transferred to the Vera Cruz railroad company.

324. Concession of October 10th, 1872, for the construction of a railroad between Mexico, Toluca and Cautitlan.

325. Transfer of this concession by Don Mariano Riva Palacio to the Toluca and Cautitlan railroad company.

326. Extension of time May 21st, 1872, in favor of the same company.

327. The concession was again renewed by the law of December 22d, 1877, by virtue of which the subvention was increased to eight thousand dollars for each kilometre of road constructed, and a new period of nine months from the date of that law was fixed for the construction of ten kilometres, and one of two and a-half years for the finishing of all the road, together with its branch.

328. Within the nine months corresponding to the first period, the company put sixteen and a-half kilometres in working order, inaugurating, May 2d, 1878, the branch from Mexico to Cautitlan, a distance of thirty-three kilometres; and, posteriorly, it has built and placed in working order a section of the principal road from Tacuba to San Bartolome Naucalpan. The length of this way is five and a-half kilometres. Besides this, it has another section of seven and a-half kilometres finished between San Bartolome and the Cuartos farm, on the principal line. The company has punctually received payment of the subvention contracted for with it.

e. Catorce Railroad—From Mexico to the Pacific, and to the frontier of the United States.

329. The Executive, being authorized by the law of December 10th, 1872, to receive proposals for the construction of railroads, contracted with a Mexican and foreign company for an international and inter-oceanic railroad and telegraph, which line was called the Catorce, and which contract was approved by Congress, December 11th, 1874. This line was not constructed, and on May 4th, 1874, the contract was declared to have lapsed.

f. Mexico and Leon Railroad.

330. The bad result of the concession given to the "Catorce" was attributed to the fact that too much had been attempted in contracting for the construction of an international and inter-oceanic railroad. To obviate this evil, it was thought convenient to reduce the length of the line, and confine it to the section from this capital to the city of Leon, which covers the most thickly populated part of the country.

331. As a company of the "Catorce" did not accomplish the building of this line, and the concession was declared lapsed on May 4th, 1874, another contract was made December 30th, 1874, with Mr. Sebastian Camacho and his associates, for the building of a line from Mexico to the city of Leon, in the State of Guanajuato, which was called the Central Railroad.

332. For the purpose of making this an international line, and at the same time of dividing the construction of the work among several companies, in order to facilitate it, the concession for making the railroad between Leon and the frontier was given to Mr. Edward Lee Plumb, a citizen of the United States, and representative of the International Railroad of Texas (which line reached San Antonio), as has already been said.

g. Railroad from Ometuzco to Pachuca.

333. The law of May 28th, 1873, authorized Mr. Justino Fernandez, at that time Governor of the State of Hidalgo, to construct a railroad between the city of Pachuca and any other point on the line between Mexico and Vera Cruz.

334. Neither was this line built, and the concession has been renewed in favor of the present Governor of the State of Hidalgo, by virtue of the law of December 14th, 1877, as will be shown when speaking of the contracts made with the Governors of States.

h. Puebla and Matamoros Izucar Railroad.

335. The law of May 29th, 1873, modified by the law of January 29th, 1874, authorized Messrs. Joaquin Ruiz^o Vicente Hidalgo and D. J. Velasco to construct a railroad from Puebla to Matamoros Izucar. Neither was this line built and it was contracted with the State of Puebla.

327. New extension of time, December 22d, 1877.

328. Opening of the Cautitlan branch and the line of San Bartolo Nacalpan.

329. Concession of November 29th, 1873, to the Catorce company, for the inter-oceanic and international railroad.

330. The line contracted for by the Catorce company not finished.

331. Concession for the Central railroad, December 30th, 1874, to Messrs. Camacho and associates.

332. Concession to the International Company of Texas, for the prolongation of the Central railroad to the United States frontier.

333. Concession of May 28th, 1873, to the Governor of Hidalgo, for the construction of the line to Pachuca.

334. Non-construction of this line and subsequent renewal of the concession to the present Governor.

335. Concession of May 28th, 1873, for the construction of the Puebla and Matamoros Izucar railroad.

i. Railroad from Merida to Progreso.

336. The law of April 22d, 1873, modified by that of April 29th, 1875, authorized Messrs. Rendon Peniche and Pedro Contreras Elizalde to construct a railroad from Merida to Progreso.

337. Twenty kilometres of this road have already been constructed.

j. Railroad from Vera Cruz to Zamorana.

338. The law of May 4th, 1875, authorized the Directing Committee of the Mexican Company to construct a railroad from Zamorana to Medellin.

k. Vera Cruz and Oajaca Railroad.

339. The law of May 29th, 1875, authorized Mr. Jose Esperon to construct a railroad from any point on the Vera Cruz line to the city of Oajaca.

340. This line, the same as all the foregoing ones, was not built, and the present Governor of the State of the State of Oajaca made, on March 8th, 1878, a contract with the Federal Government for the building of a road that would be carried on to the Pacific.

l. The San Fernando and Matamoros Railroad.

341. The law of June 17th, 1875, authorized Mr. Sebastian Camacho to make a canal through the Laguna Madre, and to construct a railroad from the port of Matamoros to the bar at Jesus Maria.

ll. Toluca and Ixtapam del Oro Railroad.

342. On November 30th, 1878, a contract was entered into with the citizen Jose Maria Amat, for the construction of a road between the city of Toluca and the mining town of Ixtapam del Oro, which contract is awaiting the approval of Congress.

B. SYNOPSIS OF THE CONCESSIONS MADE TO COMPANIES OTHER THAN AMERICAN.

343. Of the fourteen concessions made by the Government of Mexico from 1867 till the present time, to companies or persons whose nationalities have not been American, not including concessions recently granted to Governors of the States, only four were given in favor of foreigners, and the remaining ten were in favor of Mexicans.

344. The summary, then, of all these important data is, that since the year 1866 to this date the Mexican Government has granted, without counting the contracts made with the Governors of States, thirty-three railroad concessions, of which nineteen have been given in favor of citizens of the United States, four in favor of citizens of other nationalities, and the remaining ten in favor of Mexicans.

345. It seems impossible to present a more eloquent demonstration than that which the preceding facts bring up to show that, so far from the assertion being demonstrable that Mexico looks with jealousy or hostility upon the building of railroads which would put her in communication with the United States, or that even without this circumstance, that the roads should be constructed by North American companies, the truth is that she has, on the contrary, granted them a marked preference up to this time.

346. That which concerns lines of railroad contracted for with Governors of States of the Mexican Confederation, requires detailed explanations, which will be made below.

6. RAILROAD CONCESSIONS MADE TO THE STATES OF THE MEXICAN CONFEDERATION.

347. The Report states that "It appears that the decision of Congress has placed a very important obstacle

336. Concession of April 22d, 1874, for the Merida and Progreso railroad.

337. Building, in part, of this railroad.

338. Concession of May 4th, 1875, for the Vera Cruz and Zamorana railroad.

339. Concession of May 29th, 1875, for the construction of a line from Vera Cruz to Oajaca.

340. Renewal of this concession, May 28th, 1878, to the Governor of Oajaca.

341. Concession of June 17th, 1875, for the San Fernando and Matamoros railroad.

342. Contract of November 30th, 1878, for the construction of the Toluca and Ixtapam del Oro railroad.

343. Synopsis of the concessions made to Mexicans and foreigners.

344. Number of concessions made to Mexicans and foreigners.

345. The construction of railroads by North Americans has not been prosecuted with zeal in Mexico.

346. Concessions made to Governors of the different States.

in the way, so far as concerns the construction of a railroad towards the American frontier ; that after having rejected the American concession, to which I have made reference, the Congress confirmed the powers to the Executive to make contracts with the Governors of the States, or with other authorities, for the construction of railroads within their respective limits ; that with this authorization the Federal Government has made thirteen different contracts and concessions, promising subsidies from the Government ; that these concessions cover the most valuable and important parts of the road to the frontier of the United States ; that it would be a reason for congratulation, and not of regret, to know that these same Mexican authorities had undertaken the whole or an important part of this great work, if there was any security that they would carry it on till felicitously completing it ; but that an intelligent Mexican engineer, while reporting to the present Congress, under date of September 17th, 1878, upon these concessions, said that the most felicitous construction of a railroad that had been carried out until then by a Mexican company was that of a league ($2\frac{1}{2}$ miles), which had been completed in twelve months, and that under the present auspices in fifty years one could go by railroad from this city to Quentaro (one hundred and fifty miles), and added in a pathetic tone: 'Do we need to go ourselves? No; let such a blessing be reserved for our grand-children.' The Report ends by saying that: "Even when it might be possible to obtain a concession from the Mexican Congress without the objectionable conditions insisted upon by all the Congresses and all the Administrations that have existed for years back, yet it would be necessary to undertake negotiations with the Governors and with the Legislatures of the different States to purchase the concessions referred to, or discard them."

348. The observations contain several points of interest which it is convenient to examine separately, and they are as follows :

A. Concession granted to the State of Guanajuato, December 15th, 1877, for the construction of a railroad from Celaya to Leon.

B. Conditions of this concession.

C. Reasons for the Congressional laws of December 15th, 1877, and of May 1st, 1878, which authorized the Executive to contract with the Governors of States for the construction of railroads.

D. Contracts made by the Executive with thirteen States, by virtue of this authorization.

E. These contracts will not impede the construction of railroads with foreign capital.

F. Opinion of the engineer Ibarrola upon the construction of railroads in Mexico.

A. CONCESSION GRANTED TO THE STATE OF GUANAJUATO, DECEMBER 15TH, 1877, FOR THE CONSTRUCTION OF
A RAILROAD FROM CELAYA TO LEON.

349. The hopes that foreign companies with whom the various contracts mentioned in the preceding pages had been made would construct railroads in Mexico, having been so often frustated, as, out of the thirty-three concessions which had been granted since 1865 till the present only a single company had built a road contracted for, the Legislature of the State of Guanajuato, one of the richest and most populous in the Republic, although of small territorial extent, took steps for the execution of a contract with the Executive, which was signed October 16th, 1877, for the construction of a railway from Celaya to Leon, which should pass through the centre of the State. The contract was submitted for the approval of Congress.

350. In view of the doubt which has always existed, emanating from non-compliance with the foregoing contracts, that the foreign companies could construct the railroad, and considering that the State of Guanajuato was more directly interested in the construction of the line within her own territory, the corresponding concession was granted to her by the decree of December 15th, 1877.

351. The State of Guanajuato was not able to construct the railroad which she had contracted for by the law of December 15th, 1877, wherefore she has petitioned the Congress of the Union for an extension of time.

B. CONDITIONS OF THE CONCESSION GRANTED TO THE STATE OF GUANAJUATO, DECEMBER 15TH, 1877.

352. As the conditions laid down in the concession that was given to the State of Guanajuato on December 15th, 1877, for the Celaya and Leon railroad, have served as a basis for all the other concessions made to other

347. Conclusions of the Report with regard to railroad concessions granted to Governors of the different States.

348. Points that will be considered when speaking of this business.

349. The State of Guanajuato made a contract with the Executive, October 16th, 1877, for the construction of a railroad.

350. Congressional concession to the State of Guanajuato, December 15th, 1877.

351. Guanajuato failed to construct the railroad contracted for.

352. Conditions contained in the foregoing contract.

states, in conformity with the law which authorized the Executive to make said contracts, which will be spoken of afterwards, it is proper to enumerate the principal conditions of that concession, which are as follows:

I. The State of Guanajuato is empowered to work a railroad and telegraph, which is to be built on her own account, or by means of a company which may be organized by her, for ninety-nine years, after which the line will revert to the possession of the nation.

II. The survey of the line will be commenced at once, and before beginning the work the corresponding plans will be submitted to the office of the Secretary of the Interior for approval.

III. The works of construction will commence within six months from the date of the concession; and after the approval of the respective plans they will continue without interruption, it being obligatory to finish the road within the period of four years.

IV. Within the first year at least twenty kilometres of railroad will be finished, under the penalty of forfeiture of the concession.

V. The exemption of federal and local duties for twenty years upon materials coming from abroad, and necessary for the construction and working of the railroad and telegraph.

VI. The exemption, also for twenty years, of all taxes upon capital employed in the construction of the road, or in its dependencies.

VII. The right of way to the breadth of seventy metres along all the line of the railroad, and the cession of national lands through which the line may pass.

VIII. The enterprise has authority to freely issue shares, bonds and obligations, to dispose of them and to pledge the railroad and its appurtenances, giving to the pledging creditors the right of working the road, in all or in part, but the amount of the pledge is not to exceed \$8,000 for each kilometre.

IX. A subvention of \$8,000 for each kilometre which the enterprise may construct, with the addition of one thousand dollars in case the building be finished in shorter periods than those designated.

X. The enterprise is placed under obligation to charge freightage for each ton of one thousand kilogrammes, and for each kilometre of distance, at the rate of five cents for first-class merchandise, four for the second and three for the third; and one and a-half cents for first-class passengers, one for the second and half a cent for the third-class, respectively.

XI. It is prohibited to transfer the enterprise to a foreign Government, and to allege being alien, in the terms which have already been explained in speaking more at length in another place upon this point.

XII. Reversion of the concession of the road should not be constructed in the stipulated periods, or on account of transferring the privilege or conveying or pledging it to any foreign Government, or admitting a foreign Government as shareholder.

C. REASONS FOR THE CONGRESSIONAL LAWS OF DECEMBER 15TH, 1877, AND OF MAY 1ST, 1878, WHICH AUTHORIZED THE EXECUTIVE TO CONTRACT WITH GOVERNORS OF STATES FOR THE CONSTRUCTION OF RAILROADS.

353. In discussing the contract with Messrs. Sullivan and Palmer, the Eighth Congress felt the difficulties which are in the way of terminating the discussion and approval of a contract that always provokes debate, and at the same time preserve the routine of the interior regulations of the Chamber. It is believed that the easiest way to obtain the realization of the work, with the despatch demanded by the necessities of the country, was to authorize the Executive to make the corresponding contracts under certain bases which were laid down.

354. Other States of the Republic being encouraged by the example of Guanajuato, the spirit of enterprise revived in them, together with the wish to construct railroads in their own territories, and several of them petitioned the Congress of the Union for the corresponding concessions, signing beforehand the contracts with the Executive. The Congress not being able to approve of the contracts executed with the States, because of the same reasons which have already been shown, the Executive was authorized to grant concessions in favor of the said States.

355. The first authorization of this kind, approved December 13th, 1877, was for the Executive to grant the State of Morelas a concession for a railroad which should start from this city, pass through the capital of that

353. Reasons which decided the dictation of the law of December 15th, 1878.

354. These provisions were made common to the other States who might wish to accept them.

355. December 14th, 1877, authority given to the Executive to contract with the States of Morelos, Queretaro and Michoacan.

State, and be carried on as far as the river Amacusac, the conditions of this concession being the same as those approved by Congress for the railroad of Guanajuato. The second authorization, approved on the same date, empowered the Executive to contract with the State of Queretaro for the construction of a railroad under bases and conditions to be afterwards definitely approved by Congress, the road to start from Celaya and to terminate at the Puerto de Palmillas, the boundary of the State of Queretaro with that of Hidalgo. The third authorization, approved December 15th, enabled the Executive to contract with the Government of Michoacan for the construction of a railroad starting from Salamanca and terminating at a point on the boundary of the States of Michoacan, or Guerrero, following the shortest route. The bases of this contract to be the same that might be approved of for the Guanajuato railroad.

356. The Congress, encountering difficulties because of want of time and the delays occasioned through its previous regulations, to then especially authorize the Executive in each case to grant concessions to State Governments for the construction of railroads in their respective territories, determined, by means of the law of December 15th, 1877, to concede to it general authority to contract with State Governments for the building of roads within their own boundaries, under the bases that were definitely approved of for that of Guanajuato ; that is to say, from the 16th of December, 1877, to the 31st day of March, 1878.

357. On December 15th, 1857, the Executive was also authorized by Congress to grant permission to all who should solicit it to establish railroad lines in the Federal District, under certain conditions named in the same decree. It is not thought necessary to speak further about this incident, because the construction of these roads possesses only local importance, and they are being carried on with good results by Mexican companies.

358. The authority conferred by Congress upon the Executive by the decree of December 15th, 1877, having ended March 31st, 1878, to empower the States to build railroads within their respective boundaries, and all the contracts asked for by the States not having been then executed, the Congress of the Union renewed to the Executive its authority, by virtue of the law of May 1st, 1878, to contract for the construction of a railroad from the city of Puebla to Matamoras de Izucar, under the same conditions as the Guanajuato railroad, and by virtue of this authority executed the contract of the 6th of the same month.

359. As the authority given by Congress to the Executive had only been to execute contracts with the governments of States, perhaps this sprung from the fear that the petitioners who had presented themselves for railroad grants did not have the necessary capital to carry out the work which they offered to execute, and that their principal object was to build the road with the subvention. It was believed that between making the concession to private parties without capital, or the probable means of obtaining it, and consequently without the means of, executing the work, or to the Governors of the States, the latter were preferable.

D. CONTRACTS MADE BY THE EXECUTIVE WITH THIRTEEN STATES FOR THE CONSTRUCTION OF RAILROADS WITHIN THEIR RESPECTIVE LIMITS.

360. By virtue of the congressional law of December 15th, 1877, which has already been spoken of in another place, the Executive made with the Governors of the States of the Mexican Confederation the following contracts for the construction of railroads in their respective territories:

a. State of Michoacan Railroad from Salamanca to the Pacific, with branches to Celaya, Zamora, Maravatio and Zitacuaro.

361. On January 28th, 1878, the Governor of the State of Michoacan was authorized to construct a railroad between Salamanca and the Pacific coast, with branches to Celaya, Zamora, Maravatio and Zitacuaro, there being conceded for this purpose a subvention of \$8,000 for each kilometre.

362. The time fixed by article 8 of this contract for the commencement of work having expired and nothing having been done, the contract lapsed, and to revive it Congress prolonged, by means of the law of December 15th, 1878, for six months, the stipulated periods granted for its construction.

356. This authority to contract was made common to all the States.

357. Decree of December 15, 1877, upon the building of railroads in the Federal District.

358. New authority given to the Executive, May 1st, 1878.

359. The reasons for granting this authority.

360. Contracts made with the Governors of States, by virtue of the law of December 15th, 1877.

361. Contracts with Michoacan, made January 28th, 1878, for the railroad from Salamanca to the Pacific.

362. This contract lapsed, and to revive it the time for building the road was prolonged for six months.

b. State of Hidalgo. Cautitlan, Ometusco, Pachuca and Tulancingo Railroad.

363. On February 2nd, 1878, the Governor of the State of Hidalgo was authorized to construct a railroad starting from Cautitlan, or from another point on the interior railroad, or from Ometusco, or other point on the Vera Cruz railroad, and ending at Pachuca, with a branch to Tulancingo. A subvention of \$8,000 for each kilometre was granted.

c. State of San Luis Potosi. Railroad from San Luis to Tantoyuquita.

364. On February 14th, 1878, Mr. Benigno Arriaga was contracted with, as the representative of the government of San Luis Potosi, for a railroad between that city and the boundary of the State of Tamaulipas at a point near Tantoyuquita. A subvention of \$8,000 for each kilometre was granted.

d. State of Jalisco. Railroad from Lagos to San Blas.

365. On February 27th, 1878, a contract was entered into with Mr. Henrique Pazos, the representative of the State of Jalisco, to construct a railroad which should extend from Lagos and Guadalajara, uniting them with the port of San Blas, and with permission to prolong it to the boundary of the State of Guanajuato, between the cities of Lagos and Leon. A subvention of \$8,000 for each kilometre was granted.

e. State of Queretaro. Railroad from Palmillas to Celaya.

366. On February 28th, 1878, a contract was executed with Mr. Enrique M. Rubio, representative of the government of the State of Queretaro, to build a railroad that should connect the city of Celaya with that of San Juan del Rio, or with the Puerto del Palmillas, on the boundary of the State of Hidalgo. A subvention of \$8,000 for each kilometre was granted.

f. State of Oajaca. Railroad from Tehuacan to Huajuapam and Puertom Angel.

367. On March 22d, 1878, a contract was entered into with Mr. Pablo Pantoja, who represented the State of Oajaca, for the construction of a railroad between a point situated in the outskirts of Tehuacan, or of Huajuapam, on the boundary of the State with that of Puebla and Puerto Angel, passing through the capital of the State. A subvention of \$8,000 for each kilometre was granted.

g. State of Vera Cruz. Railroad from Vera Cruz to Alvarado and Anton Lizardo.

368. On March 26th, 1878, a contract was made with the Governor of the State of Vera Cruz, to construct two railroads, the first from Vera Cruz to Alvarado, with a branch from Hato or any other point that might be convenient, and another to Anton Lizardo. A subvention of \$8,000 for each kilometre was granted.

369. The periods named in articles 8, 9 and 10 of this contract having expired, and the portions of the road mentioned in them not having been built, the contract lapsed, and to renew it, it became necessary for Congress to extend the periods stipulated in the contract, which was done by means of the law of December 10th, 1878, which prolonged them for nine months.

h. State of Tamaulipas. Railroad from Tantoyuquita to the line of the San Luis Potosi.

370. On March 27th, 1878, a contract was made with Mr. Benigno Arriaga, as representative of the government of the State of Tamaulipas, to construct a railroad between Tantoyuquita or other point on the Tamesi river, from the head of navigation, for craft drawing a metre or more, and the boundary of the States of Tamaulipas and San Luis Potosi. A subvention of \$8,000 for each kilometre was granted.

i. States of Zacatecas, San Luis, Aguascalientes and Jalisco. Zacatecas, San Luis, Aguascalientes and Lagos Railroad.

371. On March 28th, 1878, a contract was entered into with Counsellor Genaro Raigosa, in the name of the governments of the States of Zacatecas and San Luis, with Mr. Ignacio T. Chavez, for that of Aguascalientes,

363. Contract with the State of Hidalgo, February 2d, 1878, for the Cautitlan, Pachuca and Tulancingo railroad.

364. Contract of February 14th, 1878, with the State of San Luis Potosi for the Tantoyuquito railroad

365. Contract of February 27th, 1878, for the Lagos and San Blas railroad.

366. Contract of February 28th, 1878 with the State of Queretaro for the Palmillas and Celaya railroad.

367. Contract of March 22d, 1878, with the State of Oajaca for the Tehuacan, or Huajuapam and Alvarado railroad.

368. Contract of March 26th, 1878, with the State of Vera Cruz, for the Anton Lizardo and Alvarado railroad.

369. This contract lapsed, and to revive it the periods allowed for the building of it were prolonged for nine months.

370. Contract of March 27th, 1878, for the Tantoyuquito railroad.

371. Contract of March 28th, 1878, for the Zacatecas, San Luis, Aguascalientes and Lagos railroad.

and with Messrs. Salvador Camarena and Gabriel C. Navarro for that of Jalisco, for the construction of two lines of railroad, one of which should unite the city of Zacatecas with that of San Luis Potosi, and the other the city of Zacatecas with those of Aguascalientes and Lagos. A subvention of \$8,000 for each kilometre was granted.

j. State of Yucatan. Merida and Peto Railroad.

372. On March 29th, 1875, a contract was made with Messrs. Augustin del Rio and Vicente Mendez Echarreta, as the representatives of the government of Yucatan, for the construction of a railroad between the city of Merida and the town of Peto, passing through the Tecula and Tekax. A subvention of \$8,000 for each kilometre was granted.

k. State of Colima. Manzanillo and Tonila Railroad.

373. On March 30th, 1878, a contract was entered into with Mr. Isaac Banda, as representative of the State of Colima, for the building of a railroad between the port of Manzanillo and the Barranca of Tonila, the boundary of that State with Jalisco. A subvention of \$8,000 for each kilometre was granted.

l. State of Puebla. Puebla and Matamoros Izucar Railroad.

374. On May 6th, 1878, a contract was made with General Juan N. Mendez, as representative of the government of Puebla, for the construction of a railroad between that city and that of Matamoros de Izucar. A subvention of \$8,000 for each kilometre was granted.

375. This contract was executed by virtue of special authority conceded by Congress to the Executive, by the law of May 1st, 1878, which has already been spoken of.

E. THE PRECEDING CONTRACTS WILL NOT IMPEDE THE BUILDING OF RAILROADS BY FOREIGN CAPITAL.

376. The Report considers it very difficult, and almost impossible, for the States to build the lines that they have contracted for. In support of this assertion it cites the opinion of a Mexican engineer, whom it calls intelligent, and who, in reporting to the Congress of the Union under date of September 17th, 1878, upon the concessions made to those States, said that the most felicitous construction of a railroad by a Mexican company had hardly come up to a league, or two and five-eighths miles, in twelve months, which is equivalent to hardly any building power.

377. A short period having been fixed in the contract with each State during which certain works must be constructed and a certain number of kilometres of the road made, it is clear that if this period be exceeded without the works contracted for being executed the concessions must lapse and the field will be free to any company, North American or of another nationality, to obtain the same concessions. But even if this were not so, in view of the difficulties which the State governments have to face in undertaking to build the railroads contracted for by them, and all having the greatest desire to have those roads built, because this would redound to the benefit of the State, augmenting its revenue and the prestige of its authorities, the company which might attempt to construct an international railroad could count upon the decided support of the States, who would probably either transfer to it their concessions or resign them so that the Congress of the Union could dispose of them in favor of such company.

378. It is clear that the States will either construct the lines they have contracted for, or that they will not do so. In the first case this will favor the construction of the international line, because it will diminish the outlay which the company undertaking it might have to make, from the time in which a portion of the line would be completed by any Mexican company or companies; and in case the States could not construct the lines, nothing would be lost, because, as they desire the building of the roads, there would be no inconvenience in ceding their contracts, these being still in force, to any company that might have the capital necessary to complete the line.

379. It may be well to mention, in proof of this assertion, that the contract of March 26th, 1878, with the State of Vera Cruz, for the construction of a railroad from the port of Vera Cruz to Alvarado and Anton Lizardo,

372. Contract of March 29th, 1878, with the State of Yucatan, for the railroad from Merida to Peto.

373. Contract of March 30th, 1878, with the State of Colima for the railroad from Manzanillo to the Barranca de Tonila.

374. Contract of May 6th, 1878, for the Puebla and Matamoros Izucar railroad.

375. The authority whereby this contract was made.

376. The Report doubts that the States will construct the roads contracted for.

377. The contracts made with the States will not impede the construction of other lines.

378. The building of the roads by the States would be advantageous, and if the lines are not constructed in this way, concessions will be granted.

379. The concession given to Vera Cruz has been the subject of a contract with an American citizen.

has formed the matter for a contract with a citizen of the United States, as has already been said in the proper place.

380. Another proof that the concessions made to the States do not constitute a great obstacle to the construction of the international railroad, is that Messrs. Sullivan and Palmer, with whom the contract of November 12th, 1877, was made, have not desisted in it, notwithstanding that posteriorly to this date all the contracts have been made with the States, and that the representatives of Mexico's creditors, with whom the contract of December 6th, 1878, was made, do not consider them as impediments to an agreement for the construction of a railroad from this capital to the Pacific.

381. Besides, it must be taken into account that the concessions granted do not amount to an exclusive privilege ; others could, notwithstanding, be granted to North American companies.

382. Lastly, it should be borne in mind that of all the contracts made with the State governments, only that of Guanajuato has till now built ten kilometres of road, and that of Morelos four. Extra official news has been received from some of them, as Puebla and Queretaro, that they are engaged in leveling the ground necessary for the road, and that others, as Hidalgo and Zacatecas, have ordered a portion of the rails necessary for the line contracted for.

F. OPINION OF THE ENGINEER IBARROLA UPON THE CONSTRUCTION OF RAILROADS IN MEXICO.

383. To prove the slowness with which Mexican companies construct railroads, and the almost impossibility which there will be for the international road to be built by only the efforts of Mexican companies, the Report cites the opinion of a Mexican engineer, who is called intelligent, emitted in an explanation dated September 17th, 1878. It is deemed convenient to explain the cause which gave rise to that explanation, and what was said in it, in order to be able to duly appreciate this incident.

384. It was precisely on account of what Deputy Chavero said on September 16th, 1878, upon the railroad question, as President of the Chamber of Deputies of the Ninth Congress of the Union, in reply to the discourse of the President of the Republic, and to impugn the conclusions of the reply, that the civil engineer, J. Ramon de Ibarrola, published, on September 17th, 1878, a pamphlet, which is not addressed to Congress, though the Report intimates that it is, and in which the text of both discourses—in so far as it related to this matter—was inserted, showing that the road which is being constructed from Esperanza to Tehuacan could not serve as a model to the international railroad.

385. Speaking of the contracts made with the State governments for the construction of railroads, and precisely to demonstrate the difficulties and almost impossibility of their being built by the States that had contracted for them, Mr. Ibarrola said as follows :

“Fifteen concessions which the Secretary of the Interior cannot deny, seeing that those who asked for them had the right to do so ; fifteen concessions which he signed, and which were elevated to the importance of decrees, in place of one only which he had contracted for with the Palmer-Sullivan enterprise ; fifteen concessions that were not carried into effect, seeing that to do this something more than good will was necessary ; fifteen concessions that not even now are profited by, because I must say that the only advantage that can accrue to the country would be to distract public opinion, as upon another occasion I have said about angry political questions, in order to turn us towards others of veritable utility. I may be answered immediately, and therefore I reply beforehand, asking if those concessions are not going to be acted upon ? Have we not before us the example of Guanajuato, that has already built five kilometres of a road, and has given nine orders for rails ? Very well, then ; Guanajuato, has made in one year five kilometres of a road, and during the incoming one will make other five kilometres, and will continue, like the Toluca road, making one league a year, because there are no other means than those afforded by this last company. But this is not building railroads ; to construct them the example should be taken from the motor which they employ, and imitate its rapidity. By any other manner the object will not be attained, and it will not serve us in any way, who now live, to think that within fifty years one might go to Queretaro by railroad. We need to go ourselves, and not that such a boon be reserved for our grandchildren. Where are the elements which the State governments can count upon, or the companies to be organ-

380. Messrs. Sullivan and Palmer do not consider the concession to the States an obstacle.

381. The concessions granted do not amount to an exclusive privilege.

382. The condition of the works commenced by the States, by virtue of the concessions.

383. Conclusions of the Report with regard to the slowness with which railroads in Mexico are built.

384. Opinion of the engineer Ibarrola upon this subject.

385. Text of the conclusions of the engineer Ibarrola

ized for the construction of railroads? The States cannot acquire them otherwise than by voluntary subscription, or by contributions *ad hoc*. The first will never be realized, because no one has confidence in the governments, and this is nothing but the fruit of what they themselves have sown; the contributions, if they be paid, will never suffice for the object; and besides, there are no guarantees that they would be invested in the work for which they would be destined. The public conscience answers for me, because the contribution which has so long been collected for the draining of the valley of Mexico cannot be forgotten, as it has been applied to everything but the purpose intended. As for the companies that may be organized in the States, could they be in any better condition than that of Toluca?"

"Yet, notwithstanding, what has been built in Toluca? One league a year, and nothing more."

386. It was very far from the imagination of Mr. Ibarrola, when he wrote his essay, to think that the same lines whereby he proposed to impugn the conclusions of the President of the Chamber of Deputies, and to maintain that the great railroads required by Mexico would have to be constructed by foreign capital, exaggerating, as they did, the difficulties which have presented themselves in the building of railroads by Mexican capital, should serve the representative of the United States in Mexico to prove that the construction of railroads by Mexican capital is next to impossible.

387. As for the rest, the assertion of the engineer, Ibarrola, with respect to the most felicitous example of the construction of railroads is at the rate of one league in twelve months is not correct. Guanajuato has constructed ten kilometres in less than one year; Morelos, four in about six months, and the Company of the Mexico, Toluca and Cautitlan railroad has built twenty-two kilometres in the last year, and is about finishing seven more. The lines of the Federal District have also constructed several kilometres in the last year.

V. THE (LIMITED) MEXICAN COMPANY OF THE MEXICO AND VERA CRUZ RAILROAD.

388. The Report, with the idea of making patent the impossibility of constructing the International railroad from the City of Mexico to the United States frontier, and in analyzing the assistance which Mexico could give for the accomplishment of this important work, lays down the principle that our country, impoverished by a long series of revolutions, is in a condition absolutely impossible to undertake by herself any great work of public improvement, and that all intelligent Mexicans recognize that the capital necessary for an International railroad must come from the United States, or be had by means of them. It lays down, in addition, the general principle that a subvention is necessary in order that respectable companies should undertake works of this nature, especially that of the International railroad to the frontier of the United States, for the reason that the line would have to traverse long distances of desert and unpopulated lands, and that some years would have to pass after finishing it before the working of it would yield any return over and above the expenses, seeing that the commerce along the line has to be created, and that the Mexicans are slow to adopt new customs. In confirmation of all these assertions the Report presents, as an example, the experience of the only finished line of railroad in the United States, that of Vera Cruz to Mexico.

389. The conclusions which the Report comes to with respect to the Vera Cruz railroad are few, but they weigh much, and are of transcendent gravity. It says that, "The experience furnished by the only railroad that has until now been finished in the country amply confirms these assertions with regard to the small profits which railroads in Mexico afford, seeing that the Mexican railroad, which connects the capital with the principal seaport which traverses one of the most populous and wealthy parts of all the Republic, and which is, comparatively, a short line, has never been able to pay more than five per cent. on its capital (while the greater part of the bonded debt, and with a mortgage on the road, earns eight per cent.) even during the time in which the Government regularly paid the subvention; and as it is more than twelve years since this has been paid, from the time of the first armed demonstrations of the last revolution, it is actually only producing three per cent. above the cost of working."

390. The forcible consequence of this explanation would be to establish, not the impossibility of building railroads in Mexico, as the Report has led us to believe, because we cannot form a general rule from judging of a single case, least of all in complicated questions like the present, without demonstrating that in the work of building the Vera Cruz railroad special circumstances have existed which, while they made it expensive, prevent

386. Object of the engineer Ibarrola's pamphlet.

387. The Mexican companies have built more than a league a year.

388. The Report considers that the international railroad can only be carried into effect by subsidized American companies.

389. Conclusion of the Report about the small profits of the Vera Cruz railroad.

ts being made the object of comparison with similar works. Even if the data in the Report were exact, it would, be erroneous to generalize the conclusions.

391. If, in reality, the Vera Cruz and Mexico railroad, which is an exceptional work in the country, as will be shown hereafter, could be taken as a basis of what may be expected from the construction of railroads in Mexico, the expectation of speedily completing them would, perhaps, not be very flattering; but taking into consideration very important circumstances which eliminate from the question the seriousness implied by the simple enunciation, isolated from the facts mentioned in the Report, it must be allowed that the solitary example of a line in whose survey, building and working, grave errors (which considerably augment its cost) have been committed, could not serve as a basis to show the development of traffic imparted to Mexico by the construction of railroads.

392. In order to explain what has occurred in connection with this line, it is indispensable to give a brief exposition of the following points:

- A. Summary of the building of the Vera Cruz railroad.
- B. Sums granted by the Government of Mexico as a subvention to that line.
- C. Sums paid on account of that subvention.
- D. The sum owing by Mexico on account of the same subvention.
- E. Social capital of the enterprise.
- F. Entire cost of the Mexico and Vera Cruz railroad.
- G. Errors committed in its construction.
- H. The earnings and expenses of working and profits of the work.
- I. The freight rates collected.

A. SUMMARY OF THE BUILDING OF THE VERA CRUZ RAILROAD.

393. The work of the Vera Cruz railroad has had to suffer not only those contrarieties which political changes in the country unavoidably bring about, and which work was planned in the year 1825, when Mr. Francisco Arrillaga's ideas for its execution were initiated, to whom the Administration of General Bustamante conceded the first privilege for the construction of that road, but also from the changes that took place among the different companies charged with making it, during the thirty-five years that have passed till the finishing of this road. These different changes will be briefly spoken of.

a. Concession to Mr. Francisco Arrillaga.

374. The privilege conceded to Mr. Francisco Arrillaga, by the decree of August 22d, 1837, provided that the work on the railroad should commence within two years, counting from the date of the concession, and that the road should be completed, with the branch to Puebla city, in five years from the same date. Far from receiving any subvention from the treasury, the grantee was obliged to pay in a million of dollars, in twenty annual installments of \$50,000 each, which installments began to count ten years after the finishing of the railroad, and they would correspond to the last twenty years' duration of the concession, which was for thirty years.

395. The concession to Mr. Arrillaga produced no more practical result than that of making preliminary surveys for the purpose of locating the track of the road, and making estimates for it; the tracing was directed between Orizaba and Jalapa to the vicinity of Apizaco, counting the length of the principal road at seventy-two leagues, or about 302 kilometres, and calculating the cost of the work, at that time, at five millions of dollars, without including the branch to Puebla, which, as was afterwards effected, should have started from Apizaco, and whose cost was judged to be half a million of dollars.

396. The death of Mr. Arrillaga, promoter of the work, and the war with France, which happened in 1838 were the obstacles that at that time prevented the carrying out of that important project.

b. Contract with the Creditors of the Toll Fund.

397. On May 31st, 1842, the idea was given a new form by means of the decree of that date, which con-

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- 390. The case of the Vera Cruz railroad insufficient to establish general rules
 - 391. Reasons in support of the foregoing assertion.
 - 392. Points which ought to be examined in treating of this question.
 - 393. The general circumstances of the country and the change of the companies delay the building of the railroad.
 - 394. The concession of August 22d, 1837, granted to Mr. Francisco Arrillaga.
 - 395. The only practical result of Arrillaga's concession was the surveying of the ground.
 - 396. The death of Mr. Arrillaga and the war with the French, in 1838, prevented the execution of the project.
 - 397. Contract for the railroad from Vera Cruz to San Juan river, with the creditors of the toll fund.

tracted with the creditors of the toll fund for the construction of the railroad from Vera Cruz to the San Juan River, imposing a duty at the same time, which was called the tax on account of "deterioration," and it was made to consist of two per cent. on the import dues collected at the port of Vera Cruz. The amount of this duty was assigned to the construction of the railroad from Vera Cruz to San Juan, whose collection was pledged to the creditors, until their credits should be extinguished.

398. Agreeably to the bases of the contract made with the creditors of the toll fund, these parties worked on the railroad from Vera Cruz to San Juan, from May, 1842, till September, 1851; for, by the law of November, 30th, 1850, which consolidated the public debt, the contract of May 31st, 1842, relative to the arrangement with the creditors of the toll fund was abrogated, which abrogation had been beforehand proposed to the Chamber of Deputies, on account of the non-fulfillment of the stipulations in the contract on the part of the creditors.

399. In nine years the creditors of the toll fund built eleven and a-half kilometres of the railroad from Vera Cruz to San Juan, the work and material on which were valued at \$500,000; while the sum received by them from the duty on account of "deterioration" amounted to \$1,939,131; that is to say, the cost of the work was at the rate of \$168,620 for each kilometre.

c. Construction of the Railroad from Vera Cruz to San Juan by the Government.

400. The third period of the Vera Cruz railroad commenced with the Mexican Government's receiving the works done by the toll fund creditors from 1851 until the finished part of the railroad was sold to Mr. Antonio Escandon, by virtue of the privilege which was conceded to him on August 31st, 1857. In this third period the work was directly under the charge of the Government, and in six and a-half years twelve and a-half kilometres of the line were built, which, including material over and above the necessary amount, cost the Government \$715,234, or at the rate of \$57,218 per kilometre. In about seventeen years twenty-four kilometres of the road had been built, which cost the Government \$2,654,373, or \$110,598 for each kilometre.

401. Until the granting, in August 31st, 1857, of the privilege to Mr. Antonio Escandon, for the construction of the railroad from Vera Cruz to the Pacific, the building of that from Vera Cruz to the City of Mexico had gone on very slowly. It was then agreed to sell to the new grantee of the privilege the finished works of the railroad from Vera Cruz to San Juan. The company acquired, therefore, the twenty-four kilometres of the road already built, for the sum of \$750,000; that is to say, at the rate of \$31,250 for each kilometre, and with the loss of \$1,904,373 to the government.

d. Line from the City of Mexico to Guadalupe Hidalgo.

402. The new company also acquired the small branch of near six kilometres, constructed by Messrs. Mosso Brothers, from the city of Mexico to Guadalupe Hidalgo, by virtue of a concession which was obtained from the Mexican Government on August 2d, 1855, and whereby the arduous task was undertaken to build, without any subvention, a railroad that would join that from Vera Cruz to the San Juan river with the Pacific Ocean; but finding it impossible to carry out so great an undertaking, the company transferred the concession and the branch which they had constructed and were working, to the new grantee of the privilege for the Vera Cruz and Pacific railroad, for the small sum of \$200,000, according to publications made by Mr. Manuel Payno, who was interested in the concession of Messrs. Mosso. Mr. Escandon commenced then, by uniting in his own hands the thirty kilometres of railroad built up till that time, having obtained them for less than \$1,000,000.

e. The first concession to Mr. Antonio Escandon.

403. As has already been intimated, on August 31st, 1857, the government of General Ignacio Comonfort conceded to Mr. Antonio Escandon the exclusive privilege for the construction of a railroad from Vera Cruz to Mexico, and from this city to the Pacific. From here it may be said that the history of the railroad from Vera Cruz to Mexico commences.

398. The contract with the toll fund creditors was abrogated by the law of November 30th, 1850.

399. The toll fund creditors built eleven and a-half kilometres, which cost \$1,939,131, and the work was valued at \$500,000.

400. The Government built twelve and a-half kilometres for \$715,234. In ten years twenty-four kilometres were constructed and cost \$2,654,373.

401. The twenty-four kilometres were sold to Mr. Antonio Escandon for the sum of \$750,000, and government losing \$1,904,373.

402. Mr. Escandon purchased the branch from Mexico to Guadalupe Hidalgo, acquiring the thirty kilometres then built.

403. The first concession to Mr. Antonio Escandon, August 31st, 1857.

404. The new concession created a consolidated fund of public debt to the amount of \$8,000,000, payable in fifty years, and with interest at the rate of five per cent. per annum, receivable by the railroad company as a subvention, which should be delivered in exchange for an equal amount of paper chargeable to the revenues.

405. As a compensation for this auxiliary, and for all the others, including the concession, the grantee was obliged to build a penitentiary and a home for invalids, whose cost should not be under one million of dollars; to give the government twenty out of one hundred per cent. of the profits of the line; to carry the public correspondence free of cost; and to limit the fares of civil and military employees to one-quarter of the usual rates.

406. A few months after Mr. Escandon's receiving this privilege the *coup d'etat* by President Comonfort took place, which caused on the one side the capital of the Republic and many important States to fall into the hands of the rebels against the constitutional Government, and on the other Mr. Juarez to assume the reigns of government in his character as constitutional Vice-President, seeing himself obliged to accept the struggle provoked against the institutions of the country—a struggle which lasted three years and ended at the close of 1860 by the triumph of the constitutional cause. As it was to be expected, those three years were lost to the work of building the Vera Cruz Railroad, for Mr. Escandon had hardly commenced to survey the ground in order to fix the line and cost of the road—an undertaking that was confided to the American engineer, Mr. Talcott—who felt sure that the work would cost \$14,000,000.

f. Second concession to Mr. Antonio Escandon.

407. The Constitutional Government was hardly re-installed in the city of Mexico when the suggestions were renewed before it by the grantee of the concession, who had with good results negotiated with the administration of General Miraman, and the Constitutional Government lent itself to modify the grant, notably amplifying by decree of April 5th, 1861, the concessions contained in that of August 31st, 1857. By this new decree Mr. Escandon was relieved of the obligation to construct the penitentiary and the home for invalids; and touching the stipulations directly connected with the railroad, he was relieved of the obligation to give to the revenue twenty per cent. of the profits of the line, and was, besides, gratuitously conceded the half of the waste lands surveyed in the Isthmus of Tehuantepec and in the State of Sonora. The liberality of the Government was so complete that, besides this increase to the assistance formerly conceded, an additional duty of fifteen per cent. on imports was decreed, so that the company which the grantee might form should receive this from all the maritime custom-houses in exchange for railroad shares, which the Government accepted at par, while in the market they were realizable only at a great discount. To secure the payment of the interest on the fund of \$8,000,000, in conformity with the decree of August 31st, 1857, the Government issued bonds which were called twenty per cents., receivable in all the maritime custom-houses in payment of the duty on material improvements, and at once delivered to the grantee bonds to the value of \$2,000,000 for their realization in the ports by the company itself, so that with the amount of this duty on material improvements the \$400,000 interest on the \$8,000,000 was covered, and also the \$160,000 of the two per cent. on the cancellation of this fund. It is to be noted that in spite of stipulating that two per cent. annually should go to the cancellation of the \$8,000,000, it was agreed that the annual payment for interests should be \$400,000, as if that cancellation was not to be verified.

408. Among these stipulations it was agreed in the concession of April 5th, 1861, that without prejudice to the continuation of the works on the railroad from Vera Cruz to the city of Mexico, the tropical portion of the road should be pushed on in preference, and also the branch indispensable to connect the capital with the city of Puebla.

409. On December 17th, 1861, a little after renewing the concession to Mr. Escandon, the occupation of the port of Vera Cruz by the allied forces of France, Spain and England happened, in consequence of the convention signed by the three nations on October 31st, 1861, which event involved the country in the war of intervention.

410. Before the French army occupied the city of Puebla and the capital of the Republic, events which took

404. A fund of \$8,000,000 as a subsidy to the railroad company.

405. Obligations contracted by the grantee of the concession. by that of August 31st, 1857.

406. Surveys and estimates for the railroad made by the American engineer Talcott.

407. Second concession to Mr. Escandon, relieving him of the heavy obligations which he had contracted by the first, and amplifying the subsidies.

408. Preference established in the concession of April 5th, 1861, for the construction of the road from Mexico to Puebla

409. Beginning of the war of intervention through the triple convention of London, October 31st, 1861.

410. Mr. Escandon contracted with the French army for the building of the road from the Tejeria to Chiquihuite.

place in May and June, 1863, the grantee of the concession already had, on December 23d, 1862, made an agreement with the French army to build, as a contractor, the branch of the railroad between the Tejeria and the Chiquihuite. The agreement resulted in the contractor's building a section of seventy kilometres between the Tejeria and Paso del Macho, for which Mr. Escandon received from the French army the sum of 9,682,491 02 francs, or about \$1,924,667 13, a sum which later on was repaid to the French army by the custom-house of Vera Cruz.

411. Thus, then, from the beginning of the French intervention the grantee of the concession broke by his own proper acts his contracts with the Mexican Government, by making new stipulations with the invader. The Archduke Maximilian having possessed himself of this capital and established his ephemeral Empire, the grantee went to him, asking that he should approve the cession of his privilege, which, in September, 1864, he had made to the "Mexican Railroad Company (limited)," by virtue of which it took in charge the building of the railroad from Paso del Macho to Guadalupe Hidalgo, and the working of the two sections at that time finished, transferring to the company, by the same cession, the contract which Mr. Escandon had formerly made with the Messrs. Smith, Knight & Co. (limited), of London, whereby these gentlemen agreed to build the trunk line and Puebla branch of the same road, with the corresponding telegraph of three wires, together with all the lands, works of skill, stations, store-houses, and rolling stock of the railroad, and telegraph apparatus, for the sum of £5,239,120, or about \$26,195,600.

412. The Archduke Maximilian approved of the passing of the concession to the "Mexican Railroad Company (limited)," and also modified the grant of April 5th, 1861, by his decree of January 6th, 1865, reproducing, in substance, the stipulations of the concession of the Republic; but modifying, notwithstanding, the periods for the payment of the subvention, which the company was to receive quarterly in the General Treasury.

413. In the years 1865 and 1866 the company built the 133 kilometres that there are between Guadalupe Hidalgo and Apizaco.

g. Rehabilitation of the Company which received the concession, and its re-instatement by the Mexican Government in Escandon's privileges.

414. The fall of the Empire and the reinstallation of the Republican Government in Mexico ought to have produced, and in fact did produce, new and transcendent changes in the important business of the Vera Cruz railroad.

415. At once it became obvious that the national Government could not recognize in the question any personality in the Limited Company, nor give any validity on this point to the legislation of the so-called Empire. The company, which, without the approbation of the Government of the Republic, as required by its laws, had consented to compromise its interest with the invader, could not, in good faith, avail itself before the Constitutional Government of any legitimate right. As far as the Republic was concerned the only existing thing was the Escandon concession, forfeited on account of having passed the time, and also because, in conformity with the law which had to be promulgated as a supreme means of national defence, to deprive it of the capital of the invader, Mr. Escandon had lost his rights in all the business, including even the railroad and its existing appurtenances, on account of having made a contract with the French army and with the authorities set up by it.

416. But in those circumstances the national government did not lose sight of the great importance of accelerating the finishing of the railroad, which undoubtedly would have been more difficult if the terrible penalties to which the grantee and the company had made themselves amenable had been severely carried into effect, and so far from using such severity the government was abundantly benign and generous, pardoning the company by the decree of November 27th, 1867, the penalty of forfeiture, legalizing its rights and amplifying the concessions which had formerly been granted to Mr. Escandon. The decree of November 27th reproduced, substantially, the former stipulations on the matter; but it introduced some innovations which gave origin to a series of enlightening debates, in consequence of which the concession was modified by the Congress of the Union, on November 11th, 1878, with the consent of the company. Only the most important stipulations of this decree will be mentioned here, upon which stipulations action was subsequently taken by the national Congress.

417. The concessions of 1857 and of 1861 granted to Mr. Escandon the exclusive privilege to construct

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- 411. Transfer of the privilege to the Mexican Railroad Company (limited) and the contract of Smith, Knight & Co.
 - 412. The Archduke Maximilian approves of the transfer, and grants newly the concession, with few changes.
 - 413. The Company builds, from 1865 to 1866, the distance of 133 kilometers of road between Apizaco and Guadalupe.
 - 414. Fall of the Empire and re-installation of the republican Government in Mexico City.
 - 415. The Republic could not recognize the transfer of the concession, which had lapsed, in conformity with the laws.
 - 416. Excusing the Company's derelictions by means of the third concession, November 27th, 1867. Its stipulations.
 - 417. Newly granting the concession in contravention of constitutional precepts.

and work the railroad, which privilege, notwithstanding its being opposed to an express precept of the federal constitution of 1857, was re-affirmed by the decree pardoning the company, which has already been referred to.

418. By the preceding concessions power was granted the company to construct branches within a radius of twenty-one leagues on either side of the principal line, and by that of November 27th, 1867, the preference in right above all other persons or companies that might solicit it, was given to build such branches.

419. The concession of November 27th, 1867, fixed December 31st, 1871, as the time for finishing the branch to Puebla.

420. Upon the installation of the Congress of the Union, in December, 1867, a strong opposition was formed in that body against the concession of November 27th, and, after heated debates, the law of November 11th, 1868, was promulgated, which introduced material modifications into the former decree. The following changes should be mentioned, reserving remarks referring to the subvention and the rate of freights and passages to a more opportune place.

421. The character of a privilege was taken from the grant, as this was unconstitutional, the Government compromising itself not to subsidize, during the period of sixty-five years, any other railroad enterprise between Vera Cruz and Mexico, or the intermediate points, with the exception of that already subsidized for the building of a railroad from Vera Cruz to Jalapa. The preference formerly given to the company to build branches was taken away. The obligation was imposed on the company, laying down that the branch from Apizaco to Puebla should be finished and put in working order by December 31st, 1869, and the principal line between Paso del Macho and Apizaco by December 31st, 1872.

422. Lastly, the Government established the right of inspecting the building and working of the road; resolving that the by-laws of the company should be presented to the Government for approval, in which it should be prescribed, that without permission from the Government the society's capital could not exceed \$27,000,000; that this should be divided half into shares and obligations not earning more than eight per cent. annually; and, lastly, that the Government, without prejudice to its representation as a shareholder, should be represented on the board of directors of the company by persons nominated by it, in the proportion which was expressly laid down.

423. The preceding narrative enables it to be understood how, from 1857, the time of the first concession to Mr. Escandon, up till 1868, when the Constitutional Government definitely approved of the transferring of the grant to the Mexican railroad company, and the mutual rights and obligations of the Government and of the company were defined with respect to the building and working of the road, this important work was seen on the one hand more and more protected by the Government, and on the other constantly retarded; as much by the interruptions originating from the general state of the country, as in the want of organization on the part of the company. But, finally, and in conformity with the decree of November 11th, 1868, the work reached its termination, and the branch from Apizaco to Puebla was opened September 16th, 1869, which placed this city in communication with the capital of Mexico, and the main line was inaugurated January 1st, 1872.

B. SUMS GIVEN BY THE GOVERNMENT AS SUBVENTIONS TO THE VERA CRUZ LINE.

424. By the law of November 27th, 1867, modified by that of November 11th, 1868, pecuniary aid and exemption from certain payments were granted, which indirectly increased its funds and diminished the outlay which, without such exemption, the company would have been obliged to make. The sums in cash paid over to the company were of two classes—gratuitous subvention and the purchase of shares.

425. The subvention newly granted to the enterprise was fourteen millions of dollars, payable in twenty-five annual instalments of \$560,000, without striking any difference between capital and interest, although in reality this sum, at the interest of seven per cent. was equal to the eight millions of the fund established from the first granting of the privilege. The subvention, in conformity with the law of November 11th, 1868, was payable during the four years fixed for the building of the road, in "bonds of the Vera Cruz railroad," which would be admissible in payment of twelve per cent. of import duties occasioned in the custom-houses of Vera Cruz, Tam-

418. The preference given the Company in building of the branches.

419. The concession of November 27th, 1867, fixed December 31st, 1871, for finishing the road.

420. Congressional opposition to the decree of November 27th, 1867, and its modification by that of November 11th, 1868.

421. Extinction of the concession and the preference in building the branches. Time for completing the work.

422. Fixing of the sum of the Company's capital, and intervention of the government in the work.

423. The governments constant protect the work. Finishing of it on December 31st, 1872.

424. Direct and indirect pecuniary aid conceded to the Company.

425. Gratuitous subvention of \$560,000 for twenty-five years and the method of paying it.

pico, Matamoros, Manzanillo, and Mazatlan; it being stipulated that the quota of duties that might be paid in bonds would subsequently be fixed at twelve per cent., more or less, accordingly as it might be necessary, so that the annual subvention of \$560,000 should be covered. The twelve per cent., or quota of import duties equal to the subvention of \$560,000, could be paid only in "railroad bonds," during the four years designated for its building, under the penalty of compelling those breaking this rule to pay a second time. The company was prohibited from selling bonds at a higher price than their nominal value, and exemption was granted it from the payment of export duties on the amount of its receipts from the subvention. After the building of the railroad the subvention was to be paid by the general Treasury in three monthly accrued instalments. By decree of December 17th, 1878, it was again laid down that the subvention should be paid by the five maritime custom-houses already named.

426. The law of November 27th, 1868, made no reference to the fund of eight millions of credit which the former grantee should have paid to the Mexican Government, in conformity with the decrees of 1857 and 1851, nor the considerable sums that had been received both from the Mexican Government, the French army, and the authorities that emanated from the intervention; but by the decree of November 11th, 1868, the company became pledged to deliver within three months into the general Treasury of the federation the bonds and interest coupons of the fund of \$8,000,000 which had been delivered to Escandon, the grantee, in conformity with the first grant, it being declared at the same time that these titles had ceased to be of value.

427. At the purchase of shares which the company might issue as parts of its associated capital, the fifteen per cent. on the duty on imports for the term of four years to be occupied in building the road was included.

428. The exemptions, which amounted to a direct pecuniary assistance, because they relieved the company from expenses which, without them, it would have been obliged to make, consisted of three classes:

1st. Exemption for twenty-one years from the duty on the exportation of monies over and above the sum of 560,000, the amount of the annual payment which the company should receive on account of the subvention contracted for. During the building of the road this indirect auxiliary would probably produce effective means to the corporation, because it did not require large sums in the country, and it was at liberty to negotiate its permits for free exportations.

2d. Exemption for ten years ending on November 10th, 1878, from the payment of duties, and from all classes of taxes upon building materials, necessaries, carriages, machinery, tools, &c., which the Company might devote to the construction and working of the railroad and telegraph lines.

3d. Exemption of the road from taxes for ten years, counted for each section from the time in which it would be opened for public service.

C. SUMS PAID ON ACCOUNT OF THE SUBVENTION.

429. From the first concession made to Mr. Escandon, in 1857, and posteriorly removed, as already said, the grantee commenced to receive divers sums either from the National Government or from the French intervention, charged to the credit of the subvention offered for the work from the time of the first grant, or for shares in the undertaking. In the following summary of the sums paid by the Government in aid of the road, there are included (with due distinction) the sums which had been paid to the grantee anteriorly to the law of November 27th, 1867, whether under the title of a subvention or in payment of shares; it being necessary to bear in mind that with respect to the liquidation of the amount belonging to the subvention, a suit is pending in the Federal tribunals in consequence of the Company's non-acceptance of the several charges made against it in consequence of the balance struck by the General Treasury of the Nation, upon whose operations the summary is based:

Net sum received by the grantee on account of the subvention during the period embraced between August 31st, 1857, and May 31st, 1863.....	\$252,814 57
Received by the grantee from the French army for the construction of the section of railroad from Tejeria to Paso del Macho.....	9,682,491 02 frs 1,924,667 13
Received by the grantee and the Company on account of the subvention.....	937,145 34
Balance of a loan of \$200,000 made by the French intendency to the house of Messrs. Barrow, Forbes & Co. for advances to the Mexican railroad.....	67,501 26
Carried forward.....	\$3,182,128 30

426. Return by the Company of the \$8,000,000 in bonds delivered to Mr. Escandon.

427. Purchase of shares from the Company for the four years' work on the railroad.

428. The exemptions which amounted to indirect pecuniary aid.

429. The Company received \$7,056,619 23 on account of the subvention, up till the time of finishing the road.

Brought forward.....	\$3,182,128	30
Sum which appears charged on the books of the Central Treasury of the so-called Empire as having been delivered to the railroad company, April 27th, 1866, charged to the Revenue Commission in Paris.....		49,319 97
Total received by the Company on account of the subvention up till the date of the law of November, 27th, 1867.....	\$3,231,448	27
Received by the Mexican Railroad Company on account of the first four annual installments of the subvention, running from November, 1868 to 1872.....	2,240,000	00
Total received on account of the subvention during the construction of the road.....	\$5,471,448	27
Received by the Mexican Railroad Company, in payment of the subvention after the building of the road, and up till June, 1876	\$1,566,270	86
Received by the Company on account of the subvention from October to December, 1876	\$18,900	10 1,585,170 96
Total.....	\$7,056,619	23

430. The Company received, as an indirect pecuniary auxilliary, during the four years embraced between September 11th, 1868, and the same date in 1872, that of the exemption from the payment of export duties on \$560,000, the amount of the annual subvention which it received in these four years. The auxilliary amounted to the sum of \$173,000 in the four years, reckoning the export duty at eight per cent. up till June 30th, 1872, and at five per cent. from that date.

431. Since the finishing of the road the company has continued to enjoy the exemption, and by virtue of it has exported from November 11th, 1872, till the same date in 1878, the amount of six annual payments of the subvention, or \$3,600,000, whose duty amounts to \$168,000, which the company has neglected to cover, so that this exemption has produced to the company a saving of outlay from November, 1868, to November, 1878, represented by the sum of \$341,000. The company has commenced to use during the current year the right conceded to it to export in this time, free of duty, the sum of \$560,000.

432. *Shares purchased from the Vera Cruz Railroad Company.*—By virtue of the concession of April 5th, 1861, repeated in that made to the company by the pretended Empire, and lastly in the laws of November 27th, 1867, and November 11th, 1868, the Government compromised itself to the purchase of shares at par from the company to the amount of the re-payment of the fifteen per cent. of the import duties on foreign goods. This purchase was limited by the law of November 11th, 1868, to the period of four years, which the building of the road ought to have lasted, and this limitation was faithfully observed. The sums which the company received from the Mexican revenue on account of the value of shares, up to the finishing of the railroad, are the following:

Sum received by the grantee in conformity with the law of April 5th, 1868.....	\$56,521	88
Sum received by the company during the period of the French intervention.....	1,009,352	21
Sum produced by the fifteen per cent. of the duties on importation during the four years embraced between November 11th, 1868, and November 11th, 1872.....	2,823,800	00

Total amount to invest in shares.....\$3,889,674 09

433. It is also to be observed that with regard to the shares taken in the enterprise two differences appear between those to the fore in the general treasury of the Federation, which amount to \$3,669,252 21, and those corresponding to the sums which appear in the books of this office as settled by the amount in shares, and they are, as has been already stated, \$3,889,674 09. The first of these differences consists in the sum of \$200,000, the value of a draft of the central treasury of the pretended Empire of Maximilian in favor of the company and against the Revenue Commission in Paris, for the value of shares which have not been received, the company alleging that said draft was not paid; but as it has not returned to the Treasury charge is made against it for this sum, and the question is pending also for judicial solution. The second difference refers to shares to the amount of \$20,421 88, which the Treasury alleges have not been received, and the company asserts have been delivered,

430. The Company received by exemption, from the payment of export duties up to the time of finishing the road, \$478,000.

431. The Company has exported \$3,360,000, the amount of six annual payments of the subvention, since finishing the road.

432. Shares purchased from the Company to the amount of \$3,889,674 09.

433. Differences between the Treasury and the Company about the amount of shares.

so that there is no doubt but this sum should appear among the values given by the nation as direct assistance for the work of the railroad. The shares to the fore in the Treasury amount to \$3,669,200, and a receipt for part of another amounting to \$52 21.

434. The pecuniary aid which Mexico has lent to the company, according to the foregoing data, makes the sum of \$11,457,293 32, divided as follows:

Sums received on account of the subvention.....	\$7,226,619 23
Amount of export duties from the payment of which the company was exempted.....	341,000 00
Amount for shares purchased by the Government.....	3,889,674 09
Total.....	\$11,457,293 32

D. THE SUM OWING ON ACCOUNT OF THE SUBVENTION.

435. It has been seen that during the building of the railroad the subvention was wholly paid, and in the same way the promise was fulfilled of devoting to the purchase of shares the fifteen per cent. on import duties.

436. From November, 1872, till the same month of 1878, the company should have received six annual payments of \$560,000 on account of the subvention, which is equal to the sum of \$3,360,000, but it received in this period only, from June, 1873, till June, 1876, the sum of \$1,566,270 86; so that there is due to it the sum of \$1,793,729 14. The subvention is now in the way of being paid, and its payment is arranged from the month of January, 1879, in conformity with the law of December 17th, 1873, out of the seven and a-half per cent. of the amount on import duties in the maritime custom-houses of Vera Cruz, Tampico, Matamoros, Mazatlan, and Manzanillo. The company has enjoyed, notwithstanding, up till now, the right of annually exporting \$560,000 free of duty.

E. ASSOCIATED CAPITAL OF THE VERA CRUZ AND MEXICO RAILROAD COMPANY.

437. Before the law of November 11th, 1868, the Government of Mexico had not taken any measure with regard to fixing the associated capital of the Mexican Railroad Company, but the first section of the second article of that law provided that it should not exceed \$27,000,000, and that it would be divided by halves into shares and securities, not to exceed the interest of eight per cent. per annum. The same section also laid down that the associated capital of the company could not be increased without the consent of the Government, nor the proportion between the shares and the securities, as already indicated.

438. In conformity with the same law of November 11th, 1868, the by-laws of the company were presented for the approval of the Government, in which the restrictions as to the amount and the division of the company's capital was set forth; also, that it had accepted a contract made between Mr. Antonio Escandon, as grantee, and Messrs. Smith, Knight & Co., of London, as contractors, by virtue of which these gentlemen had undertaken to construct, for the sum of £5,239,120, or \$26,195,600, more or less, the railroad and telegraph line between Vera Cruz and Mexico, with a branch to Puebla, furnishing it with all the workshops, warehouses, machines, apparatus, utensils and necessary accessories for working and repairing of the sections already made from Vera Cruz to Paso del Macho, and from Mexico to Vera Cruz, the cost of all which was included in the \$26,195,600.

439. Hardly had the road between Mexico and the port of Vera Cruz been placed in working order, when the company petitioned the Government for substantial changes in the concessions; those which related to the associated capital were the following: First, the power to substitute un-issued shares for new securities, which would cover the nominal value of such shares, and which would earn an interest of not more than twelve per cent. Second, to issue new securities bearing the same interest, for the payment of the company's debt on account of the transportation of stationary and rolling stock of the line from Mexico to Puebla. Third, to issue new securities, or preferred shares, bearing interest not exceeding eight per cent. per annum, to pay off outstanding interest, and that accrued since the end of the year 1873, on account of the debts contracted with the approval of the General Committee of shareholders of the corporation.

440. The Government granted these petitions of the company, and made a contract with it on March 15th, 1873, whereby the authority asked was conceded, also other stipulations relative to the rates of fare in the work-

434. The Government has aided the work on the railroad to the extent of \$11,457,293 32.

435. During the period of building the Government complied with the engagements which it had contracted.

436. The Government owes on account of the subvention \$1,793,729 14

437. Capital stock of the Company legally fixed by the concession of November 11th, 1868.

438. By-laws of the Company, approved by the Government, and the engagements contracted by them.

439. Substantial changes with regard to the associated capital of the Company, as solicited by it.

440. Execution of the contract of March 15th, 1873, approving the said changes.

ing of the road, including the acquisition by transfer of the grant for the railroad from Vera Cruz to Puebla, by way of Jalapa, and the construction of a wharf in the port of Vera Cruz, all of which will be spoken of in the proper place.

441. The contract of May 15th, 1873, was approved by the law of December 17th, of the same year, and by virtue of it the company acquired the right of issuing securities bearing twelve per cent. interest, to cover the nominal value of the \$2,184,773 48 in shares which had not been placed; to issue other securities with the same interest for \$3,310,847, the amount of the freight on rolling material of the section between Mexico and Puebla, and to issue securities or preferred shares, with the interest of eight per cent., on \$5,059,800, the amount of interest then owing, and which would be earned from the company up till the end of December, 1873.

442. By virtue of the approbation of the contract of May 15th, 1873, the authority to fix the associated capital of the company was modified in the following terms:

Capital issued in shares.....	\$11,315,226 52
Capital issuable in securities as a substitute for the amount of shares not issued.....	2,184,773 48
Capital issuable in securities, according to the law of November 11th, 1868.....	13,500,000 00
Capital issuable in securities to cover the freight on material belonging to the section between Mexico and Puebla.....	3,310,847 00
Capital issuable in securities, or preferred shares, to cover unpaid interest up till Decem- ber 31st, 1873.....	5,059,800 00
Total.....	\$35,370,647 00

443. As article thirteen of the law of December 17th, 1873, authorized not only the change of securities for unissued shares, but also their circulation in quantity sufficient to cover the value of the shares which they went to replace, it is clear that the amount of the second item in the preceding summary might practically exceed the \$2,184,773 48, to which the value of the non-issued shares amounted, the greater or lesser increase of this sum depending on the favor with which the new securities would be received, and the style of their circulation, which was effected in circumstances acknowledgedly unfavorable, because they were offered in payment of a heavy debt. In reality, when putting in practice the authority conceded to the company by the law of December 17th, 1873, it was found that the new circulation of securities brought the company to the verge of ruin, and then, at the proposal of Messrs. Juan N. Adorno and Ignacio Ibarrondo, directors of the railroad, representing the government, the issuing of the new securities in substitution of shares not issued, as authorized by article thirteen of the said law, was dispensed with, and the creditors accepted preferred shares in place of them. These shares earned a conditional interest of eight per cent. annually, that is, in case there should be surplus funds after paying each half-year the expenses of working the road and the interest on the securities borne out against the company. By this arrangement the credits which were to be paid with the pledged securities ceased to acquire a privileged character.

444. With respect to the payment of unadjusted interests up till December 31st, 1873, preferred shares were also issued, bearing a conditional interest of six per cent., which would be paid only in case that earned by the eight per cent. preferred shares should be paid over each six months.

445. This advantageous arrangement, suggested by Mr. Adorno, allows it to be hoped that the ordinary shares of the railroad, among which are counted about \$4,000,000 belonging to the Mexican Government, will recover their value in proportion to the rate at which the company frees itself of the obligations which it now supports.

446. By these arrangements the capital of the company is formed in the following manner:

Ordinary Shares.....	\$7,625,552 43
Shares belonging to the Mexican Government.....	3,689,674 09
Preferred shares bearing interest at the rate of eight per cent. per annum.....	12,707,500 00
Preferred shares bearing the conditional interest of 6 per cent. per annum.....	5,059,800 00
Bonds A, with interest at eight per cent. per annum.....	2,800,000 00
Bonds B, with interest at seven per cent. per annum.....	5,900,000 00
Total.....	\$37,782,526 52

441. Law of December 17th, 1873, approving of the contract of May 15th.

442. Capital of the Company in conformity with the decree of November 17th, 1873.

443. The difficulties of augmenting the liabilities on the railroad and issue of preferred shares.

444. Issue of preferred shares for the payment of overdue interest.

445. Advantages of the arrangements proposed by Mr. Adorno.

446. Capital of the Company, by virtue of the arrangement agreed upon, \$37,782,526 52.

447. The issue of bonds A is reduced to \$2,050,000, on account of having called in securities to the amount of \$750,000. Also, there has been paid up \$713,000 of the primitive value of bonds B, of whose issue paper remains out to the amount of \$5,187,000. On account of these cancellations of securities the company's capital is reduced to \$36,317,566 52.

F. EFFECTIVE COST OF THE MEXICO AND VERA CRUZ RAILROAD.

448. The amount of capital of the Mexican Railroad Company having been fixed, it is convenient, in order to reduce the conclusions of the Report to their just value as to the profits rendered by the capital in this enterprise, and upon the result which, in its view of this railroad, it might be conjectured that others built in Mexico would reach, to enter into some considerations that will make clear the true cost of the railroad now treated of, and that to which it might have been reduced without those grave errors which were committed in carrying on the works of the enterprise. From these data, compared with the net product of the working, it can be seen whether or not the capital employed in the railroad does not yield a reasonably good interest. It would be neither logical nor just to establish general rules deduced from an isolated case, and one in which many unfavorable circumstances have centred.

449. In the first place, it must be noted that in conformity with the contract made by the grantee with Messrs. Smith, Knight & Co., and recognized by the company in the agreement for transferring the concession, the total cost of the railroad and telegraph, with all their stations, workshops, machines, apparatus and equipment, was fixed at the sum of \$26,195,600; and as the principal line and the Puebla branch measure 470 kilometres, the result is that the average price for each one, in conformity with that contract, is \$55,735. But as in this estimate the value of the sections already finished by Mr. Escandon was included, there should be deducted from the cost the sum of two millions, which the company assigned to Mr. Escandon, giving him twenty-five per cent. of the amount of the subvention, and therefore the estimate for the railroad will be reduced to \$24,195,600.

450. The company issued bonds during the building of the road to the value of \$11,315,226 52, including those belonging to the Government of Mexico, punctually paid, and issued two classes of securities: These were the bonds A and B; of which two issues, that of the bonds A was made for the sum of \$2,800,000, subdivided into denominations of £100 each, earning eight per cent. interest annually, and they were realized at eighty per cent. interest on their face, therefore the product of this issue was reduced to the sum of \$2,240,000. That of the bonds B was made for the sum of \$5,900,000, in denominations of £100 each, which earned seven per cent. annually, and were realized at the rate of seventy per cent. of their face value, so that for this issue the cash received by the company was reduced to \$4,130,000.

451. There is to be added to this amount the sum of £800,000, or about 4,000,000 obtained by the company as a loan from the years 1868 to 1870, these quantities being represented by paper which has now been called in, and which earned twelve per cent. per annum.

452. The securities issued by the company amounted to \$12,800,000, whose annual interest reached the enormous sum of \$1,116,000; but this sum was not uniformly earned from the beginning, but only in proportion to the issuing of the securities.

453. During the construction of the railroad the section between Vera Cruz and Paso del Macho was working, and it was afterwards extended to Fortin, in the same way that that of Mexico went out to Apizaco, and was more recently carried forward to Puebla. From the working of these sections the company received, up till the end of the year 1872, a net benefit of \$1,378,792. The subvention produced in the same period, and in conformity with the laws November 27th, 1867, and November 11th, 1868, the sum of \$2,240,000. It received, in addition, \$173,000 from the amount of the duty on import which it did not pay on that sum, and which it probably negotiated in the market of the day, obtaining cash receipts for this exemption, seeing that during the period of the building of the road larger sums were needed in the country. The product of the subvention and that of the right of importation together make the sum of \$2,413,000; but as a quarter part of this, or about \$603,250, must be assigned to the cancellation of the \$2,000,000 corresponding to the transfer made

447. Posteriorly there has been paid up \$1,463,000 in securities, leaving the capital reduced to \$36,319,526 52.

448. The convenience of buying-in the amount of the capital with the sum of the cost of the road.

449. The estimates of the work are reduced to \$24,195.

450. Securities issued by the Company at seven and eight per cent.

451. The loan of \$4,000,000 at an annual interest of twelve per cent.

452. Amount of annual interest reported by the Company.

453. Net product of the operation of the road during the time of its building.

by Mr. Escandon to the company, this corporation could freely dispose of only \$1,809,750 of the amount of the subvention during the period of building the road.

454. The dates above given show that during the execution of the work on the railroad the company had at its disposal the following sums:

Value of shares sold.....	\$11,315,226 52
Amount realized from the sale of bonds A.....	2,240,000 00
Amount realized by the sale of bonds B.....	4,130,000 00
Amount of the loan at twelve per cent. interest.....	4,000,000 00
Earnings of the finished sections of the road.....	1,378,792 00
Net product of the subvention paid from 1868 to 1872.....	1,680,000 00
Amount of the right of exportation on the above sum.....	129,750 00
Total disposable.....	\$24,873,768 52

455. If this sum could be bought with the value of the part of the road which the company had to build, deducting it from the contract of Messrs. Smith, Knight & Co., which amounted to \$24,195,600, as has been explained, there remains a difference of \$678,168 52 over and above in the funds disposable by the company, with respect to the estimated cost of the railroad in working order.

456. From what has been said it appears that during the execution of the work the company was able to dispose of a greater sum than the entire cost of the railroad; so that the \$27,000,000 of associated capital authorized for the company by the law of November 11th, 1868, and which the company had in anticipation inserted in its articles of incorporation, were disposable for the work.

457. But as, notwithstanding, the company afterwards solicited and obtained, by the law of December 17th, 1873, an increase of its capital to the sum of \$37,782,526 52, as has been shown, a surplus of \$10,782,526 52 is shown in the cost of the work over and above the estimates.

458. The president of the company explained this difference before an extra general meeting, held in London on November 11th, 1874, saying that the road had been built at a cost within the estimates, and that the excess of expenditure came from the unsettled interest on the securities given up on the road, and the amount of freight of the rolling stock of the section from Mexico to Apizaco and Puebla.

459. As has already been said, the unsettled interest up till December 31th, 1873, amount to \$5,059,800, for which sum preferred shares were issued, with the conditional interest of six per cent. yearly, and \$3,310,347 on account of the freights just named, both sums making a total of \$8,370,147.

G. ERRORS COMMITTED IN THE BUILDING OF THE RAILROAD.

460. It has already been said that the company thought the railroad could be built for a sum within \$26,195,600, at which its cost was calculated by Messrs. Smith, Knight & Co. The president also intimated that the company attributed the excess of cost over that which was calculated for the work to the amount of freight on the rolling stock of the section between Mexico, Apizaco and Puebla, and the interest on capital placed upon the road and not paid during its building.

461. As to the first point, that is, the cost of the freight on the rolling stock of the section between Mexico and Puebla, it must be noted that the error of desiring to build this section before the rest of the railroad from Vera Cruz to Apizaco occasioned an exorbitant outlay; for the freights were contracted at the rate of eighty-eight, ninety-six and even up to one hundred and twenty-five dollars a ton from the port to the several points along the line where material had to be left, this expenditure reaching \$3,310,847; that nearly all this could have been avoided by prosecuting the work from Vera Cruz towards Mexico, and the company carrying its material upon its own road, without expenditure. But it went to work under the supposition that the operating of the sections from Mexico to Apizaco and Puebla during the time of the construction of the railroad alone would leave a net profit of \$1,157,005; that is, nearly one-half of the cost of transporting the material of this section.

454. During the building the Company was able to dispose of \$24,873,768 52 in cash.

455. Difference between the disposable funds and the estimates of Messrs. Smith, Knight & Co.

456. The Company was able to cover in due time the entire amount of the estimates.

457. Increase of the Company's capital to the sum of \$37,526 52.

458. The difference comes from unpaid interest and freight for material on the Puebla section.

459. The expenses of the Company, outside the estimates, amount to \$8,370,147.

460. Errors committed in the building of the railroad from Mexico to Vera Cruz.

461. The error of building first the section between Apizaco and Mexico.

462. The circumstance of Mr. Escandon being the grantee of the railroad and at the same time proprietor of lands and factories in the neighborhood of Orizaba, had a great share in another of the grave errors which were committed in the execution of the work by tracing it from Orizaba without taking into consideration the central tracing between Jalapa and Orizaba, proposed by Mr. Arrillage, who, having caused engineers' formal explorations to be made, projected a line which he recommended with powerful reasons. In his idea it obviated some expensive works that had to be made on the Orizaba road, affording at the same time the advantage of reducing and regularizing the place of ascent which should indispensably have to be overcome to get over the cordillera and reach the valley of Mexico; and, lastly, it considerably lessened the distance which the railroad had to run. This circumstance alone, even when other difficulties existed, was very deserving of attention, above all, in treating of the first railroad in the country, in order to diminish its great cost, while local traffic and that of exportation could be created under its shadow. The project of Mr. Arrillage fixed the total length of the line between Vera Cruz and Mexico by way of Apizaco at seventy-two leagues, or 302 kilometres, and according to the adopted tracing the line measures 423 kilometres without counting the branch from Apizaco to Puebla.

463. If the estimates of Messrs. Smith, Knight & Co. be taken as the basis, the result is that the average cost is \$55,735 for each kilometre, so that for the 121 kilometres—being the difference between the tracing of Arrillage and that by way of Orizaba—there will be a difference of \$6,743,935 in the cost of the work; that is to say, from only the two errors which have been pointed out. That is, the primitive building of the section from Mexico to Puebla and the adoption of the injudicious tracing by way of Orizaba produced an excess of expenditure which may be set down at \$10,054,782, a sum which in itself almost equals the excess of the cost of the road over the estimates, without including the considerable cost of the assigned interests up till December, 1873.

464. It may be asserted, then, that the execution of the work suffered from grave errors, which uselessly increased the cost, and it would remain plainly proved that to them very principally it must be due that the capital invested in the enterprise does not gain an adequate profit; especially if, even setting aside other considerations it could be established that with the cost of the road reduced to the \$27,000,000 capital stated in the company's articles of association, and even in the disadvantageous conditions under which the road has been worked, the working is not ruinous but productive, and capable of raising hopes of better results in the future.

465. The statement should not be omitted here, although it is difficult to formulate general observations on this point, that the company contracted at the beginning to pay very onerous interests. Fortunately the paper which earned twelve per cent. has already been called in—a rate that perhaps could not be avoided—and fortunately also this rate was not accepted, but that of eight per cent., for the securities issued by virtue of the decree of December 17th, 1873.

H. THE PRODUCT AND EXPENSES OF WORKING, AND PROFITS OF THE VERA CRUZ RAILROAD.

466. The considerable increase in the cost of the railroad, which the errors just mentioned produced, and which amounted to the unnecessary outlay of millions of dollars, is one of the reasons in which the opinion already given is founded, to the effect that the fact of the Vera Cruz and Mexico railroad, not having until now produced favorable results, could not be taken as a basis on which to calculate the profits of railroads, that might be constructed in Mexico, seeing that it was built under exceptional circumstances, which probably will not be repeated. But this reason, taken by itself, would not be sufficient to clearly explain why the traffic on the Vera Cruz railroad has not, during the first years of its working, considerably increased, a circumstance which is owing to the concurrence of other powerful causes that it is necessary to mention in order to disprove the assertion made on this point in the Report, to the effect that the Mexicans are remiss in the adoption of new methods.

467. Until now, and notwithstanding that the road is more than five years in working order, not a single branch has been built to place it in communication with other markets, so as to furnish it with some additional traffic to that which has always existed between Mexico and Vera Cruz. Even the branch between Esperanza and Tehuacan is not yet finished. The company was bound by the contract of March 15th, 1873, to build a branch from San Marcos to Jalapa, but it has not complied with this stipulation, and intends to free itself from it. As the railroad now exists, it is only an isolated line, which has not much more traffic than that which there was between Mexico and Vera Cruz and intermediate points before the building of the road; and this, doubtless,

462. The grave error of having built the railroad by way of Orizaba.

463. Both errors produced the useless outlay of \$10,054,782.

464. But for these errors the railroad would now be paying.

465. Heavy charge owing to the onerous interests earned by the securities.

466. These errors, and other causes, prevent the calculation of the working of other roads in Mexico, upon the present results of that of Vera Cruz

467. Causes which impede the increase of the traffic on the Vera Cruz railroad.

comes from the want of branches to put it in communication with other centres of production and consumption, which thus might contribute to the general movement. Without those branches, and there being no other railroad in the country which could join itself to that of Mexico and Vera Cruz, it is clear that the general condition of mercantile traffic now exist in the interior of the country in nearly the same state as before the working of the Vera Cruz and Mexico railroad. For this reason all the States which supply themselves with foreign merchandise imported through Vera Cruz, do not yet obtain a positive advantage from the railroad, so far as refers to the cost of interior transportation; because they are yet under the necessity of using the common wagon road for nearly all the distance which separates them from the city of Mexico, the centre of the traffic. In so far as concerns the time of receiving that merchandise, they have been only partially benefitted; for as the railroad facilities are reduced to the line between Vera Cruz and Mexico, the slow and difficult means of communication by ordinary wagon roads still subsists; and this, during the rainy season, which lasts half the year, makes traffic very expensive, and produces great damage to the goods—circumstances which nearly paralyzes the commercial movement in the wet season.

468. Notwithstanding, it cannot be denied that the railroad has gone on improving year by year in the working of it, as the following data will prove:

Number of tons of 1000 kilogrammes transported by the railroad from Vera Cruz to Mexico.

Years.	From Vera Cruz to Mexico.	From Mexico to Vera Cruz.	Total.
1874.....	84,001	30,026	114,027
1875.....	88,345	35,978 $\frac{3}{4}$	124,323 $\frac{3}{4}$
1876.....	87,259	36,258	123,517
1877.....	98,232 $\frac{1}{2}$	47,094 $\frac{3}{4}$	145,327 $\frac{1}{2}$

469. The following figures show the movement of passengers on the railroad during the years embraced in them:

Number of passengers transported by the Vera Cruz Railroad.

Years.	1st Class.	2d Class.	3d Class.	lbs.	Total.
1875.....	17,267	47,944	180,469	5,221	250,892
1876.....	12,363	25,334	143,271	3,001	183,969
1877.....	15,795	44,362	204,002	4,005	268,164
*1878.....	9,125	23,662	99,096	2,318	134,201

* From January till June.

470. The general products of the road; the expenses and surplus are the following:

Years.	Total Receipts.	Cost of Working.	Net Profits.
1873.....	\$2,117,553	1,290,563	1,826,990
1874.....	2,347,576	1,225,131	1,121,445
1875.....	2,370,606	1,249,332	1,121,274
1876.....	2,178,147	1,348,465	829,682
1877.....	2,700,007	1,535,910	1,104,997
*1878.....	1,527,401	757,955	769,446

* From January till June.

471. The above data show that notwithstanding the circumstances which have contributed to produce the result that the operating of the railroad remains almost limited to the traffic carried on by the port of Vera Cruz with the city of Mexico, the trade has increased considerably, principally in the years 1877 and the first six months of 1878.

472. In their twenty-seventh half-yearly report the directors of the company state that the interest on the bonds A and B are punctually paid.

473. It should be remembered that the foregoing data refer only to the line from Vera Cruz to Mexico,* and the branch to Puebla. But besides, by the agreement of March 15th, 1873, approved by the law of December of the same year, the transfer to the Mexican Railroad Company was approved, whereby it obtained the conces-

468. Figures of the freight carried by the railroad from 1874 to 1877..

469. Figures of the passengers carried by the railroad from 1875 to June, 1878.

470. Earnings, expenditures and profits of the working from 1878, to June, 1878.

471. The preceding data prove that the traffic of the line of Vera Cruz is increasing.

472. The directors of the Vera Cruz railroad recognize that the interest on the securities A and B, are paid.

sion to build a tramway from Vera Cruz to Jalapa, and a railroad from Jalapa to join the line from Vera Cruz to Mexico at San Marcos; and, therefore, the enterprise reports, in addition to the legitimate securities of the Vera Cruz railroad, others issued by the company to the amount of \$1,330,000 in denominations of £100 each, which earn an interest of seven per cent. yearly, and which were negotiated at seventy per cent. on their face. These securities are charged to the Vera Cruz railroad.

474. The obligations imposed upon the Jalapa road, and at the same time upon that of Vera Cruz, to face the payment of the amount of freight incurred by the former, and at the same time to continue building it, which obligations were negotiated at a discount of \$399,000, are, and will be, an onerous charge upon the Vera Cruz line, while the former is not united with the latter by the building of the branch from Jalapa to San Marcos, affording by this means a double road to Vera Cruz, and direct traffic with Puebla, without the roundabout by way of Apizaco. The products of the Vera Cruz road have been used to pay for the price of the transfer, settled at \$1,250,000, payable at once, and \$20,000 annually for the period of twenty years, for the payment of interest on the securities referred to, which, at the commencement, amounted to \$93,100, but which are now only \$66,188 50, on account of having cancelled securities of this sort to the value of \$384,450, and to continue the road to Jalapa, whose cost was calculated at the time of executing the transfer at the rate of \$12,400 each kilometre; and, as the company had to build fifty-nine out of the ninety-eight, which there are between the Tejeria and Jalapa, an approximate expenditure of \$731,000 is the result deduced from these data.

475. The line of Jalapa has not yielded profits since the first six months of 1878, in which period the receipts were \$39,257, and the expenditures \$36,657, leaving a small surplus of \$2,600, which falls far short of repaying the losses of former years, and, of course, of freeing the Vera Cruz line from the charges which it supports, on account of the exceptional situation of that of Jalapa.

476. From what has been said, the result is that the line from Vera Cruz to Mexico, from the commencement of its operation in general, and even from the time when only some of its sections were opened to public service, has paid expenses and left profits which have gone on gradually increasing, and which, on an average, can be estimated at \$1,060,950 yearly, independently of the amount of the subvention, which is again nearly in the way of being paid. It is necessary, however, to note, that the earnings of the year 1877, and those of the first half of 1878, admit of hope that the surplus over working expenses will exceed the average just given.

477. If the railroad had been built without the errors which have already been noted, and at a cost within that estimated by the company, the average earning thus far obtained in the operation of it, over and above the expenses and the subvention, would be producing six per cent. on the \$27,000,000 of the company's primary capital. But as it appears from what has been said, that the railroad has cost \$36,319,526 52, and that to this amount must be added the sum of \$945,550, the value of the securities of the Jalapa tramway, the result is that the earnings ought to be compared with the total cost of the road, which is \$37,265,076 52, and, therefore, the profits reach only four per cent. on the capital invested.

478. The foregoing data clearly show that the assertion in the Report with respect to the Vera Cruz railroad yielding only from three to five per cent. on its capital is at bottom correct; but at the same time the exceptional circumstances of this line are sufficiently explained, and it remains proved that the fears based upon the working of this road, which are entertained, to the effect that capital invested in Mexican railroads would not yield paying profits, rest upon an unfavorable and isolated event, and therefore it can not serve as a basis from which to deduct general conclusions, which would be inapplicable to the case. As for the rest, as the average of the annual interest of money in Europe is from three to four per cent., it could not be said that this profit from Mexican railroads would be unacceptable, although it might be gathered from what has been set down that greater profits could be obtained.

479. When the Board of Directors of the Vera Cruz railroad gave an account in London to the shareholders, at their periodical meetings, setting forth the state of the enterprise and the progress which it has made, those who are interested expressed their satisfaction, especially regarding the last years, by means of a vote of thanks

473. The Vera Cruz railroad Company reports, besides, \$1,330,000 for the line from Vera Cruz to Jalapa.

474. Charges reported by the Vera Cruz line, until the Jalapa and San Marcos branch be built.

475. The line from Vera Cruz to Jalapa reports losses instead of gains in its workings.

476. Present favorable state of the railroad from Vera Cruz to Mexico.

477. If errors had not been committed the railroad would pay six per cent. on its capital, instead of four, which it now does

478. The conclusions of the Report with respect to the interest which the Vera Cruz Railroad pays on the capital invested in it.

479. The shareholders of the Vera Cruz Railroad show themselves satisfied with the results.

to the Board of Directors. When the parties interested express themselves satisfied with their business, it does not appear that there is reason to look upon the enterprise of the Vera Cruz railroad as a bad investment.

I. THE RATE OF FREIGHTS CHARGED BY THE VERA CRUZ AND MEXICO RAILROAD.

480. It has been sufficiently explained that because of the errors committed in the building of the railroad from Vera Cruz to Mexico, its cost was increased, and the interests of the company very considerably compromised. If to these powerful reasons be added that of high freights which the Vera Cruz Railroad company had charged up till November 24th, 1878, for the transportation of merchandise, which held out no inducements for the exportation of national fruits, the exceptional circumstances which have occurred in the railroad from Vera Cruz to Mexico will be well understood, notwithstanding the advantages of the tracing, relatively short, and of its traversing a rich and well populated section of the country, have been such that they have not favored the creation of the traffic which railroads excite.

481. The law of November 27th, 1867, established a rate of freights between Vera Cruz and Mexico which should not exceed the following prices :

				Equivalent per ton of 2,240 lbs. of 1,000 kilogrammes.	
1st class, \$14 00, cargo of	16@.....			77 29	76 65
2d " 12 00 " "	16@.....			66 25	65 18
3d " 10 00 " "	16@.....			55 20	54 32

482. The freight on partial sections was to be proportional to the distance covered. It was also laid down that after ten years the rates of freight should, upon hearing the company, be modified ; but in such manner as that these modifications should not impede the distribution of dividends among its shareholders, so that they would not fall below twelve per cent.

483. The same law also established the following reductions on national goods : For national goods from Mexico to Vera Cruz, forty per cent.

				Equivalent per ton of 2,240 lbs. of 1,000 kilogrammes.	
1st class \$8 40 cargo of	16 arrobas.....			46 37	45 63
2d " 7 20 " " "	.....			39 75	39 11
3d " 6 00 " " "	.....			33 12	32 59

By the law of November 11th, 1868, the following reductions were established : For national goods from Mexico to Vera Cruz, 60 per 100.

1st class, \$5 60, cargo of	16 arrobas.....	\$30 91	30 42
2d " 4 80 " "	.....	26 50	26 07
3d " 4 00 " "	.....	22 08	21 73

484. The law of November 11th, 1868, modified the rules cited in that of November 27th of the previous year, laying down that the reduction to be enjoyed by national goods in the rate of transportation from Mexico to Vera Cruz should be sixty per cent., and twenty per cent. on the same class of goods that might be transported from Vera Cruz towards Mexico, and lastly that the government should modify the rates, after hearing the company, and two years from the time of putting the railroad in working order ; but without preventing the profit on the shares from falling below twelve per cent.

485. Fixed as the basis was for the lowering of the freights, without preventing the shares of the enterprise from earning twelve per cent. annual profit, it will be understood that the power of the government to lower them was illusory. For this reason the basis was completely changed in the agreement of March 15th, 1873, approved by the law of December 17th of the same year, whose first articles fixed the maximum rate of freight for goods intended for perpetual exportation at two dollars for the cargo of sixteen *arrobas*, or \$11 04, more or less, for the English ton. As by the same law the company was authorized to construct and work a metallic wharf in the

480. The freights charged by the railroad from Mexico to Vera Cruz have prevented the increase of traffic.

481. Freight regulations by the contract law of November 27th, 1867.

482. The rate of freights should be modified each decade, but so as to secure twelve per cent. dividend to shareholders.

483. Modification of the freights established by the contract of November 27th, 1867.

484. Regulation of the law of November 11th, 1868, concerning freights.

485. Regulation concerning freights made by the contract of March 15th, 1873, approved by the law of December 17th, following.

port of Vera Cruz, it was established that the maximum freight for goods intended for exportation, when the wharf was used, should be \$3 for the cargo of 16 *arrobas*, or \$16 56, more or less, for the English ton of 2,240 pounds. To the maximum of this tariff the company had adjusted its prices on all classes of goods up till November 24th, 1878, after which date the rate laid down on the 11th of the same month came in for all national goods intended for exportation which might be conveyed from Mexico to Vera Cruz, which divided merchandise into three classes, fixing the following prices :

		Equivalent per ton of 2,240 lbs. of 1,000 kilogrammes.	
1st class \$3	per cargo of 16@.....	16 56	16 29
2d " 2	" " " " 16@.....	11 04	10 86
3d " 1 25	" " " " 16@.....	6 90	6 79

486. It is to be hoped, with the freights reduced in the proportion above cited, that the development of the export trade will speedily be felt to the benefit of the trade and of the enterprise. To this end it does not seem hazardous to consider as assured the extinction of the company's heavy debt, and later on a certain profit to the share-holders ; a profit which will come all the sooner by the company's taking into account the necessity of aiding the creation of local commerce and exportation through the cheapness of its freight rates.

487. It will operate, doubtlessly, in the operating of the branches from Esperanza to Tehuacan, from Matamoros Izucar to Puebla, and from Pachuca to Ometusco, which are now in course of construction, and which can bring to the Vera Cruz railroad the agricultural and mineral products of important sections of the country.

8. SUMMARY OF RAILROADS BUILT IN MEXICO AND THE AMOUNT OF SUBVENTIONS PAID.

488. This study, which has just been made of the railroads in Mexico, would not be complete without setting down, before finishing it, the number of kilometres that have been built in the country, and how many have been paid by the pecuniary subventions contracted with the different lines constructed.

A. SUMMARY OF THE RAILROADS BUILT IN MEXICO.

489. The railroads mentioned in the following statement from the office of the Secretary of the Interior are those which have been, up till the present, built in Mexico :

" Mexican Republic—Office of the Secretary of the Interior, Colonization, Industry and Commerce—Mexico.

" Statement which shows the length in kilometres of the railroads built :

	Kilometres.	Metres.	Totals.
The Vera Cruz line has built from that port to this city.....	423	750	
Branch from Puebla to Apizaco.....	47	—	470 750
The line from Mexico to Toluca has built from Mexico to Cautitlan...	33	130	
From Tacuba to San Bartolo, in the direction of Toluca.....	5	360	
			38 490
The line from Merida to Progreso has built.....			24
The line from Celaya to Leon.....			10
The line from Tehuacan to Esperanza.....			17
The line from Morelos to the Garita de San Lazaro, and thence forward			3
The line from Tlalpam, Tacubaya and other connections of the Federal			
District Railroad Company has built.....			70 167
The line from Vera Cruz to Jalapa has built.....			112
The line from Vera Cruz to Medellin.....			22
Total.....			767 407

Mexico, January 9th, 1879.

(Signed)

RIVA PALACIO."

490. The following statement, also furnished by the office of the Secretary of the Interior to that of Finance, gives the number of railroads contracted for with the Governors of States, their length, and the sums which they ought to receive as subventions, and also the conditions of their payments.

486. It is to be hoped that with the reduced freights the traffic on the road will increase.

487. The branches from Esperanza to Tehuacan, from Ometusco to Pachuca, and from Puebla to Izucar, will give the same results.

488. Summary of the railroads built in Mexico and the amounts paid for subventions.

489. Information given by the Secretary of the Interior with respect to the railroads built in Mexico.

490. Information from the Secretary of the Interior concerning railroads contracted for and about to be built.

STATEMENT OF THE RAILROADS CONTRACTED FOR WITH THE GOVERNORS OF STATES.

NAMES OF THE RAILROADS.	DATE OF PRIVILEGE.	TO WHOM GRANTED.	Distance in kilometres.	Kilometres finished.	Subvention for each kilometre.	Kilometres to be finished in the same year.	Sums which the Government must pay annually after the concession.		Kilometres to be made on each road in the following years.	Time discounted the first year.	Sums which the Government must pay in the following years.	Total of the subvention which must be paid to each road.
							1878.	1879.				
Celaya to Leon and Guanajuato.....	December 21st, 1877.	Governor of Guanajuato.....	125	10,000	\$8,000	20	\$160,000	.....	40	3 years	\$320,000	\$1,000,000
Mexico to Toluca and Gauthlan*.....	" 22d, " "	Anonymous Company.....	120	38,490	.....	10 in 9 months	80,000	.....	94	21 months	430,708	832,000
Salamanca and the Pacific coast.....	January 28th, 1878	Governor of Michoacan.....	660	.....	.....	4	.....	.....	32	6 years	256,000	5,280,000
Ormatuco to Pachuca and Tulancingo	February 2d, " "	Hidalgo.....	92	.....	.....	4	.....	\$32,000	32	3 "	256,000	736,000
San Luis Potosi and Tantoyuca.....	" 14th, " "	San Luis Potosi.....	209	.....	.....	4	.....	32,000	32	7 "	256,000	1,672,000
Lagos and Guadalupe to San Blas	" 27th, " "	Jalisco.....	737	.....	.....	4	.....	32,000	32	7 "	256,000	5,896,000
Celaya and San Juan del Rio.....	" 28th, " "	Queretaro.....	104	.....	.....	4	.....	32,000	32	3 "	256,000	832,000
Tehuacan and Puerto Angel, via	March 22d, " "	Oaxaca.....	519	.....	.....	4	.....	32,000	32	7 "	256,000	4,152,000
Vera Cruz to Alvarado.....	" 26th, " "	Vera Cruz.....	132	.....	.....	4	.....	32,000	16	10 "	128,000	1,056,000
Merida to Peto, via T. and Texas.....	" 27th, " "	Yucatan.....	136	.....	6,000	4	.....	24,000	24	7 "	144,000	736,000
Tantoyuca and the line between the States of San Luis and Tamaulipas.....	" 27th, " "	Tamaulipas.....	105	.....	8,000	4	.....	32,000	32	1 year	256,000	840,000
Zacatecas, San Luis Potosi, Aguascalientes and Lagos.....	" 28th, " "	Governor of Zacatecas, San Luis and Aguascalientes.....	448	.....	.....	4	.....	32,000	24	7 years	192,000	3,584,000
Port of Manzanillo and Tonila.....	" 30th, " "	Governor of Colima.....	104	.....	.....	4	.....	32,000	32	3 "	256,000	832,000
Mexico and River Amacuas.....	April 16th, " "	Morelos.....	395	3,000	.....	4	.....	32,000	16	11 "	128,000	3,160,000
Matamoros and Luear.....	May 6th, " "	Fuebia.....	57	.....	.....	4	.....	32,000	16	5 "	128,000	456,000
Totals.....			3,933	51,490			\$240,000	\$408,000			\$3,517,708	\$31,084,000

* This contract departed from the basis stipulated for the others, for in the period of nine months, and not in that of one year, the first ten kilometres should be built, and the Government is bound in the same time to pay in the first \$80,000. The remaining 94 kilometres must be built in twenty-one months, during which time there will be paid, the sum of \$752,000 as the remaining portion of the subvention, of which sum \$429,708 corresponds proportionally to one year, as shown in the respective column. The total subvention, \$882,000, corresponds to 104 kilometres, for sixteen were already built when the privilege was granted.

Mexico, January 9th, 1879.

M. FERNANDEZ, Chief Officer.

B. SUMS PAID BY MEXICO FOR THE BUILDING OF RAILROADS.

491. Notwithstanding that the financial situation of the Republic has been faithfully sketched in the preceding observations, she has been able to pay up till now, with more or less difficulty—sometimes behindhand—the amount of the subventions contracted by her.

492. The following statement formed by the General Treasury of the nation shows the sum which each railroad contracted for by Mexico has acquired through subvention, what has been paid on account, and what is due up till this date :

“ General Treasury of the Federation, First Bureau, Section Third.

“ Statement of the payments made in the periods expressed herein on account of the General Department of Railroads.

From Vera Cruz to Mexico by way of Orizaba.

On account of subvention.....	\$7,056,619 23
On account of shares.....	3,669,252 21
Total.....	\$10,725,871 44

From Vera Cruz to Jalapa.

On account of subvention in conformity with the decree of May 26th, 1868.....	\$290,000 00
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From Merida to Progreso.

Decreed on December 17th, 1874, subvention \$6,000 for each kilometre.	
Subvention earned on 20 kilometres already finished.....	\$120,000 00
Paid till December 31st, 1878.....	117,676 32
Balance in favor of the road.....	\$2,323 68

From Mexico to Tlalpam.

Shares purchased from the old company at the cost of the revenue.....	\$291,850 00
Disposed of at public sale.....	203,400 00
On hand.....	\$88,450 00

From Vera Cruz to Medellin.

Subvention paid in conformity with the decree of September 6th, 1860.....	\$10,000 00
Shares purchased at the cost of the Federal Revenue.....	55,000 00
Total.....	\$65,000 00

From Mexico to Toluca and Cautitlan.

Subvention earned in conformity with the law of October 10th, 1870.....	\$48,000 00
do do December 22d, 1877.....	80,000 00
Total.....	\$128,000 00
Paid up till December 31st, 1878.....	\$128,258 14
Balance against the road.....	\$258 14

From Tehuacan to Esperanza.

Invested up till December 31st, 1878.....	\$128,172 29
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From Pachuca to Tulancingo.

Invested up till December 31st, 1878.....	\$8,858 71
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491. Mexico has paid the subventions granted to railroad lines.

492. Statement of the General Treasury, with regard to the amounts paid for railroad subventions.

From Mexico to Amacusac.

Subvention earned in conformity with the contract of April 16th, 1878.....	\$24,000 00
Paid up till December 31st, 1878.....	10,937 80
Total.....	\$13,062 20

From Texmelucan to Panzacola.

Invested up till December 31st, 1878.....	\$5,375 74
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From Celaya to Leon.

Subvention earned in conformity with the decree of December 21st, 1877.....	\$80,000 00
Paid up till December 31st, 1878.....	76,351 89
Balance in favor of company.....	\$3,648 11

From Celaya to San Juan del Rio.

Invested up till November 30th, 1878.....	\$7,765 95
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From San Luis to Tamesi.

Invested up till November 30th, 1878.....	\$2,624 87
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Summary of what has been paid.

To the Vera Cruz Railroad.....	\$10,725,871 44
do Vera Cruz and Jalapa Railroad.....	290,000 00
do Merida and Progreso Railroad.....	117,676 62
do Mexico and Tlalpam Railroad.....	291,850 00
do Vera Cruz and Medellin Railroad.....	65,000 00
do Mexico and Toluca Railroad.....	128,258 14
do Tehuacan and Esperanza Railroad.....	128,172 29
do Pachuca and Tulancingo.....	8,858 71
do Mexico and Amacusac Railroad.....	10,937 80
do Texmelucan and Panzacola Railroad.....	5,375 74
do Celaya and Leon Railroad.....	76,351 89
do Celaya and San Juan del Rio Railroad.....	7,765 95
do San Luis and Tamesi Railroad.....	2,642 87
Total.....	\$11,858,761 15

"*Note.*—The subvention of the Vera Cruz and Jalapa Railroad has been refunded to the revenue in accordance with the terms of the decree above cited. In the fixed sum the item of \$16,500 which was paid under order of June 19th, 1877, as an extra subvention, is not included."

"*Note.*—The difference between what has been earned and what has been paid, with respect to the Mexico, Toluca and Cautitlan road, will be applied to the new section that is in course of construction."

"Mexico, January 10th, 1879.

J. E. Perez (signed) Bonifacio Gutierrez. Revised—Cardena."

493. The result of the preceding data is that out of a total debt of \$11,877,795 14, incurred by Mexico on account of rail subventions for existing contracts, the nation has paid, notwithstanding its financial difficulties, the sum of \$11,858,761 15 and that only the following sums are awaiting payment :

To the Merida and Progreso Railroad.....	\$2,323 68
" Celaya and Leon	3,648 11
" Mexico and Rio Amacusac Railroad.....	13,062 20
Total.....	\$19,033 99

494. It is true that the Vera Cruz railroad was not paid the subvention of \$560,000 a year, from July, 1876, till October, 1878 ; but as, according to the liquidation made out by the General Treasury of the Federation in

493. Statement of the sums owing on account of railroads built in Mexico.

494. Causes by which the subvention to the Vera Cruz railroad is not considered as pending.

August, 1872, the company appears owing to Mexico the sum of \$3,240,500 48, which exceeds the amount of the subvention corresponding to the same period, the Mexican Government could not be considered as debtor to the company for that subvention. It is true that the company did not accept this liquidation, and that it resorted to the courts, where the question is still pending ; but while a decision has not been given against Mexico, the government is in the right to consider as good the liquidation rendered in its own offices. But even if this were otherwise, Mexico would not be owing the sum of \$1,260,000, which represents something like ten per cent. of the total amount paid for railroad subventions.

495. If Mexico has been able to pay nearly all the sums that she has conceded as subventions to railroads, devoting to this object the heavy amount of \$11,858,761 15 of her scanty revenues, and if she has been able to make these payments while she was impoverished and nearly ruined, having her public treasury in disorder, because the outlays greatly exceed the income, with her debt depreciated on account of not having been able for a long time to pay the interest on it, how will it be when, through the building of the railroads, they begin to develop her immense elements of wealth ? It seems certain that then it will be possible to pay, with greater ease than now, the subventions contracted for, notwithstanding that their amount may be much greater.

9. SUMMARY OF THE DIFFERENT FACTS REFERRING TO THE CONSTRUCTION OF A RAILROAD FROM THE CITY OF MEXICO TO THE FRONTIER OF THE UNITED STATES.

496. From the preceding statement the following facts appear demonstrated, relating to the building of railroads in Mexico, and especially of a line from this city to the frontier of the United States :

First, That the conditions laid down by Mexico in the concessions which have been granted for the building of railroads in her territory have not for object that of rendering these works difficult in execution, but only to prevent the abuse of such concessions, which might be used to the prejudice of Mexico, and which by means of the conditions cited, it has been intended only to counterbalance the rights of foreign grantees with those enjoyed by the Mexicans.

Second, That these conditions do not render the building of railroads impossible, seeing that in conformity with them the principal line now in the country has been constructed from the city of Mexico to Vera Cruz, and that several others are in the way of being built, although of smaller extension and less importance.

Third, That the clause referring to the renouncement of justice, which has generally been included in these concessions, has not for object that of depriving the grantees from the ample resources conceded them by the laws, and in general to all the inhabitants of the country, but only to avoid the abuse which would result to the Republic if the private and interior affairs of Mexico were converted into diplomatic and international questions.

Fourth, That there is actually no hostility or resistance, on the part of the Mexican nation or of its Government, to the building of railroads within its territory, by companies or private parties belonging to the United States; for, though before the war of intervention public opinion might be considered as but little favoring those concessions, this has changed remarkably since then, notwithstanding the fears which the conduct of the present Administration in the United States has inspired in Mexico. Neither has the state of public opinion in Mexico before the intervention prevented the granting of several important concessions for the construction of railroads in the country to North American citizens, admitting that in that period valuable concessions were granted to American citizens. The first temporary privilege to introduce steam engines into Mexico were conceded by Iturbide in 1822, to James Smith Wilcox. The first stage line that ran from Mexico to Jalapa was established in 1831, by a North American enterprise. In the year 1851 a concession was granted to Jonas P. Levy to connect the Gulf with the Pacific across the north of the Isthmus of Tehuantepec; and this concession included a line of steamers. In October 31st, 1853, a privilege was conceded to Mr. Alexander Antochio, an American citizen, to construct a railroad from Paso del Norte to Guaymas. On November 15th, 1854, a privilege for the working of coal and iron mines was given to Lorezo de Zavala, Edward Lee Plumb and C. Maillard, the first two being American citizens and the last a Mexican. November 24th, 1854, a privilege was granted to J. R. Moore and associates to build a railroad from the northern frontier to some point on the Pacific.

Fifth, That it does not appear that Mexico has viewed with fear the proposition which Senator Morgan, of the State of Alabama, presented in the Senate of the United States, in May, 1878, with respect to the building of a railroad from Mexico to the frontier of the United States, under the guarantee of the Governments of both countries.

495. Probabilities that Mexico will pay the sums contracted as subventions to railroads.

496. Summary of the facts concerning the building of the railroads in Mexico, and of the international line.

Sixth, That the speeches pronounced by the Deputy Alfredo Chavero, on May 22d, 1878, in the Chamber of Deputies, and on September 16th, of the same year, at the installation of the Ninth Congress of the Union, with respect to the construction of railroads in Mexico by North American companies, besides not expressing the opinion either of the Government or of the country upon this subject, was not founded alone in the danger that might result to the independence of Mexico in making these concessions, but also in the motives and considerations that are applicable only to a solitary case, among which considerations figured the fear that the company which solicited the concession was not solvent, and also the jealousy inspired by the policy followed by the present Administration in the United States towards Mexico.

Seventh, That even supposing that the opinions of Deputy Alfredo Chavero had the character imputed to them by the Report, they could not be taken as the opinion of the Government of Mexico, nor of the people, with regard to the building of railroads in this country by companies composed of citizens of the United States.

Eighth, That in the United States opinions contrary to the interests of Mexico are frequently expressed, without giving place to the belief that therefore we think here that the feelings of the Government, or of the people of that nation, are thus expressed.

Ninth, That in consequence of the proximity of the United States lines of railroads to the Mexican frontier, the building of the international road appears now more probable than formerly.

Tenth, That with regard to pecuniarily aiding the building of railroads in Mexico, the Government of this country has followed the system of conceding a subvention in all contracts made to this end.

Eleventh, That it is not correct that the international railroad would have to pass over great deserts, nor that it would encounter difficulties through the slowness of the Mexicans to accept the habits of more civilized life.

Twelfth, That even when the state of the public treasury in Mexico has been, and is, unsatisfactory, this has not prevented, until now, the regular payment of the subventions contracted with the companies building the railroads.

Thirteenth, That as the construction of railroads in Mexico would develop the elements of her vast national wealth, it would also increase the public revenues to such manner as to permit the payment of the stipulated subventions.

Fourteenth, That the publications made in the case mentioned by the Report, referring to the sending of \$50,000 to the northern frontier for military outlays, had for object that of answering charges made by the opposition press of Mexico, and they cannot be taken as a measure of the pecuniary situation of the country.

Fifteenth, That it is not correct that Mexico has in Europe a debt amounting to \$125,000,000, guaranteed by treaties, seeing that the amount of the capital of former conventionalized debts was hardly \$12,413,690 89, and on account of the European nations that had allied themselves against Mexico, having recognized the order of things established by the foreign intervention, the treaties were broken, and the debt lost the character given to it by the old conventions, and it remained as a debt of Mexico in favor of private parties, without any intervention on the part of the respective Governments.

Sixteenth, That the total debt of Mexico, in conformity with the last liquidation made, and the arrangement entered into with the creditors on December 6th, 1878, is only \$117,193,727 86, which capital remains reduced by the ratification of these arrangements to \$59,999,310 54 paying an interest of \$3,532,328 54 yearly, which will commence to wholly run after the finishing of a railroad from this city to the Pacific, to which work the creditors themselves have agreed, and at the end of six years from the date of the agreement.

Seventeenth, That the debt which Mexico contracted with the United States in 1865 and 1866, does not represent a capital of \$2,700,000, as is said in the Report, but a capital which only amounts to \$1,869,764 09, and its separate interests to \$1,366,843 25.

Eighteenth, That the pledge which Mexico could offer on her public revenues has not been questioned, and it is eagerly sought by companies and by private parties who enter into contracts with this country.

Nineteenth, That the number of concessions granted for the building of railroads since 1865, up till this date, in favor of companies or private parties belonging to the United States, shows that, far from there having been jealousy or want of will on the part of Mexico, with respect to citizens of the United States, they have received the greatest number of concessions that has been granted in favor of citizens of any other foreign nationality, or even Mexicans, if the contracts recently entered into with the several State governments be excepted, admitting that nineteen concessions have been granted to citizens of the United States, while all the concessions granted to persons of other nationalities since then are but fourteen, of which four were given to foreigners and the rest to Mexicans.

Twentieth, That the object of the authority conceded by Congress to the Executive, on December 15th, 1877, to contract with the governors of States for the building of railroads in their territory, has not been that of excluding American citizens or their capital from the construction of railroads in Mexico, but of the realizing of such works by the States that are more directly interested in their construction, seeing the difficulties that have presented themselves to the building of such roads by companies or citizens belonging to the United States, and admitting that since 1865, up till now, no American company has build the lines contracted for by it.

Twenty-first, That up till now thirteen contracts have been executed with the governors of States for this purpose, and that only three States have commenced to build the works contracted for, the result being that the other contracts will lapse through non-fulfillment.

Twenty-second, That even though the contracts entered into with the States for the building of railroads in their territories do not lapse on account of non-fulfillment by the States of the conditions stipulated in their respective contracts, this would be no obstacle to the construction of an international line from Mexico to the United States by a North American company, or by citizens of the United States, with capital of the neighboring nation.

Twenty-third, That is not correct that the Mexican companies which have build railroads in Mexico could not build more than a league in a year, seeing that some of them have constructed larger sections in the time mentioned.

Twenty-fourth, That during the first years after Mexico had emancipated herself from Spain she attempted to carry out the building of a railroad from Mexico to Vera Cruz, co-operating in the realization of the work and augmenting her assistance to the enterprise to which she addressed herself, and faithfully complying, during the execution of the work, with her promise in giving pecuniary aid to push it on.

Twenty-fifth, That the delays caused by the general state of the country and some grave errors committed in the direction of the work gave, as a result, the useless expenditure of more than \$10,001,010, to the loss of the capital invested in the railroad.

Twenty-sixth, That from the commencement of the partial operation of the several sections of the road, and from the time of opening all of it for public service, the line has made its expenses, and left remainders which on an average amount to \$1,061,000 00, notwithstanding that the road was charged with the costs of the Vera Cruz and Jalapa railroad, which have diminished the direct profits of the principal line.

Twenty-seventh, That isolated as the railroad is, without branches to facilitate local commerce, nor with connection with other railroads to feed its workings or extend its benefits to distant sections, the general commerce of the country remains in nearly the same circumstances which characterized it before the finishing of the Vera Cruz railroad.

Twenty-eighth, That notwithstanding these circumstances the road yields, over and above expenses, a profit equivalent to six per cent. on the company's primary associated capital, which somewhat exceeded the calculated cost of the work, and four and a-third per cent. on the capital employed in its construction and the tramway from Vera Cruz to Jalapa, which interest cannot be considered as insignificant, if we take into account the average rate of interest on money in Europe, and the average profit of railroads in England.

Twenty-ninth, That the high rates of freight had prevented the development of the export trade, from which the railroad would derive better receipts, and that, therefore, the reduction of the rates made by the company on November 25th, 1878, will push forward the export trade, from which good results may be expected for the Vera Cruz railroad and for the country.

Thirtieth, That even though it be at bottom correct, the assertion in the Report as to the profits obtained by capital employed in the Vera Cruz railroad, it is not applicable, as a general rule, to the railroads to be built in Mexico, because it refers to an isolated and exceptional case.

Thirty-one, That out of a total debt accepted by Mexico for a subvention to 767,407 kilometres of railroad built in her territory, amounting to \$11,877,795 14, she has paid, notwithstanding her difficult pecuniary circumstances, \$11,858,761 15, and owes only \$19,033 99, which leaves room to believe that she will in the future pay the subventions contracted by her.

PART SECOND.

THE TARIFF, MEXICAN LAWS AND CUSTOMS RELATING TO COMMERCE.

497. After the Report had made the foregoing observations with respect to the present means of communication on the part of Mexico for foreign commerce, and examining the various questions relating to this matter in the manner which has been referred to, its second part is devoted to the Mexican tariff and the laws, regulations and practices governing foreign commerce, saying that the business that offered to American enterprise in Mexico would be as much of a mineral as a commercial nature.

498. From this fact, then, proceeds the division of this matter into two principal points, which are: first, commerce; second, industry; each one of which will be spoken of separately.

I. THE COMMERCE OF MEXICO.

499. The part of the Report referring to Mexican commerce treats of the following points:

1. Prohibitive duties imposed in the tariff of February 1st, 1872.
2. Importation to Mexico of machinery and implements for agriculture and mining.
3. The want of ports of deposit in Mexico.
4. Local duties collected on foreign merchandise.
5. The expenses of transporting merchandise to the place of consumption.
6. The despatch of merchandise in the city of Mexico.
7. The metallic wharf of the Vera Cruz railroad.
8. Exchange.
9. Periods of credit for the payment of foreign merchandise.
10. Free trade and the protective systems in Mexico.

500. Each one of these questions will be treated separately, and an endeavor made to examine them under all their phrases, so that this important subject may be the better understood; and in addition, the following points, also related either directly or indirectly with the commerce of the United States and Mexico, will be considered:

11. The actual commerce of Mexico with the United States.
12. The development which has characterized the commerce of the United States.
13. Method for increasing the commerce between Mexico and the United States.
14. Summary of the facts relating to the Mexican laws governing foreign commerce.

I. PROHIBITIVE DUTIES IMPOSED BY THE TARIFF OF JANUARY 1ST, 1872, UPON FOREIGN MERCHANDISE.

501. With regard to this point the Report says: "That many believe that the tariff of the United States greatly requires revision and a reduction in several matters of interest, but that the Mexican tariff is yet more protective and prohibitive, and that in this there is to be noted the want of many rules of the North American tariff whereby the import trade is facilitated and protected."

502. In order to duly treat this matter the following grave questions relating to the duties collected on foreign merchandise by Mexico, will be considered:

- A. The Mexican tariff.
- B. Rates of the Mexican tariff on some sorts of merchandise produced in the United States.

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497. Second part of the Report, concerning commerce and mineralogy.
498. Each one of these matters will be spoken of separately.
499. Matters considered by the report in the part relating to commerce.
500. Other matters which ought to be considered while speaking of commerce.
501. Ideas of the Report with respect to the highness of duties by the tariff of Mexico.
502. Matters considered in speaking of the duties imposed by the Mexican tariff.

C. Corrections of the list contained in the Report as to the kinds of merchandise produced in the United States which are dutiable by the Mexican tariff.

D. The cause of the high duties in the Mexican tariff, and general considerations on this head.

E. Comparison of the duties imposed by the Mexican tariff on certain classes of merchandise with those in the United States.

F. Articles of Mexican production that are hampered with high import duties in the United States.

A. THE MEXICAN TARIFF.

503. The question of the Mexican tariff being presented in the manner which the Report has done, it seems that the import duties collected in Mexico on foreign merchandise would become not only highly protective, but really prohibitive. This is not wholly correct, and in order to form an idea of the progress which Mexico has made in this branch, it is necessary to enter into considerations that are not to be found in the Report, and without which it is not possible to know the present state of this important question.

504. These considerations refer principally to the following points, which will be considered in a special manner, so that this matter may be the better understood :

- a. Goods prohibited by the Mexican tariff.
- b. " free of duties " " "
- c. The tariff rates at present in force, compared with those of former times.
- d. The imposition of duties by means of a fixed rate, in preference to the collection by appraisement or the value of the invoice.
- e. Unification in the present rates of tariff.
- f. Commerce by scale and transit in Mexican ports.
- g. The commerce in transportation over Mexican territory.
- h. The coasting trade by foreign vessels.
- i. Opening of the Mexican coasts to the export trade.

505. It would be necessary to execute an extensive work in referring to all the progresses accomplished by Mexico in her fiscal legislation. A slight examination of the preceding points will be sufficient to prove that for a long time she has followed in this matter the road indicated by liberality and progress, and that her intention is to adopt in her legislation all those reforms that may be convenient or conducive to her interests and advancement.

506. Some representatives of the United States have recognized this liberal tendency of Mexican legislation referring to the import trade. The Honorable Thomas H. Nelson, Envoy Extraordinary and Minister Plenipotentiary of the United States in Mexico, in a communication addressed from Terre Haute, Indiana, on December 13th, 1872, to H. J. N. Oglesby, President of the New Orleans Chamber of Commerce, and which was transmitted to the Department of State of the United States, with a note dated in this capital on February 10th, 1873, and published with the documents referring to the exterior relations of the United States, accompanying the message addressed by the President to Congress December 1st, 1873, said, when alluding to the present tariff in Mexico, that of January 1st, 1872, as follows (page 651) :

"During the years that have passed since the overthrow of the ephemeral Empire Mexico has increased her products in the Gulf States ; her fiscal legislation has been reformed by means of a comparatively liberal tariff which came into operation on the first of last July ; and above all, she has finished the most important railroad that interests maritime commerce."

a. *Goods Prohibited by the Mexican Tariff.*

507. The nation having inherited from the metropolis a legislation positively prohibitive, has not been able, excepting slowly and by great efforts, to go on changing by degrees the prohibitive and retrograde Spanish legislation of the colonial system for the liberal and progressive ideas of the English system. This change assumes special prominence in view of what has occurred with respect to the prohibition of importing certain kinds of goods into Mexico.

503. The tariff imposed by Mexico does not constitute a prohibition.

504. Matters considered in speaking of the Mexican tariff.

505. The tendency of Mexican legislation is in favor of liberality and franchises to the commerce.

506. The Mexican tariff has gone on increasing its liberal provisions with the progress of time.

507. The efforts that have been necessary to change the principal prohibitions of the Spanish legislation.

508. In fact, one of the principal conquests in economy that we have accomplished since the war, from 1857 to 1860, called the War of Reform, has been the absolute abolition of the prohibitions. The Executive, following out the liberal spirit of our political constitution, took off, on January 21st, 1868, all sorts of prohibitions. From that date this conquest has remained definitely assured. It is truly surprising the number of goods, many of them being of the first necessity, which in no very remote period came, through extravagant ideas of economy, to be included in the prohibited list. The tariff of October 4th, 1845, went so far as to prohibit sixty-two articles of commerce, among which were comprised rice, coffee, flour, soap, salt, cotton fabrics and others. By the tariff of June 1st, 1853, this long list was reduced to fifty-three articles, and to eighteen by that of January, 1856. The present tariff of January 1st, 1872, suppressed the list of prohibited articles, in compliance with article 28 of the Federal Constitution, which provides that there shall be no prohibitions in Mexico, on the score of protecting national industries. In speaking of the goods admitted into Mexico free of all duties, the regulations of former tariffs and of the present, with respect to the prohibitions, will be mentioned.

b. Goods free of Duties by the Mexican Tariff.

509. A progress in the contrary direction has been followed with respect to articles exempted from duties, for in each new tariff that has been circulated for foreign commerce in the Republic, the number of articles free of duty has been increased. So as to proceed in regular order, it is proper here to state what has been done in this matter by the former Mexican tariffs, and what is laid down by the present.

§ Goods free of Duty on the former and on the present Tariff.

510. As in proportion, by the study of political economy, the old ideas have yielded the field to modern doctrines, and the prohibitions went on losing ground until they became extinct ; so the number of articles comprised under the heading of free importation has been increased. The tariff of December 15th, 1821, contained a list of nine fractions, in each one of which were enumerated one or more prohibited articles, and another also of nine fractions of free articles. The tariff of November 16th, 1827, increased the number of free articles to sixteen, and that of those prohibited to fifty-six ; that of March 11th, 1837, reduced the list of the former to eleven and that of the latter to fifty ; that of April 30th, 1842, contained fifty-one fractions of prohibited articles and fifteen free ; that of September 23d, 1843, declared fifty-eight articles prohibited and nineteen free. This last number was repeated in the tariff of October 4th, 1854 ; but it increased, notwithstanding the fraction of prohibited goods, to sixty-two, as has already been indicated. The tariff of June 1st, 1853, comprised fifty-three fractions of prohibited grades against twenty-one free ; and that of January 31st, 1856, contained eighteen prohibited articles against thirty-four free.

§§ Goods free of Duty, in accordance with the Provisions of the present Tariff.

511. While the tariff of January 1st, 1872, does not contain any prohibition against merchandise imported into the Republic, it increases the number of free articles to sixty-three. It is proper to insert here this list, so that the articles which are free from all kinds of duties may be known :

Article 16. The following articles are free from all kinds of import duty in the Republic :

1. Arms for the National Guard of the States, when the Governors, in concert with the respective Legislatures, ask such exemption from the Executive.
2. Telegraph wire, whose destination is proved by the parties interested in the maritime custom-houses.
3. Iron or steel wire for carding, from No. 26 upwards.
4. Animals of all kinds, alive or prepared for cabinets of natural history, excepting the class of horses known as geldings.
5. Crude alabaster.
6. Oil and the waste of sperm and other whales.
7. Bar iron for mines.
8. Timber and anchors for vessels of all kinds.
9. Plows and harrows for agriculture.
10. Oats in grain and in the ear.
11. Quicksilver.

508. The prohibition to import foreign articles has gone on decreasing until it is completely extinguished.

509. The provisions of the present tariff will be examined, and also those of former ones affecting goods exempt from duties.

510. Number of articles free of duties in the former tariffs, and in the present one.

511. Articles free of duty by the present tariff of January 1st, 1872.

12. Fire engines and pumps of all sorts and materials, for the purpose of irrigation.
13. Bill-hooks (*machetes*) ordinary, without sheath, scythes, hoes, rakes, shovels, picks, spades, pick-axes, for agriculture.
14. Hydraulic lime.
15. Piping of all sorts, sizes and materials.
16. Wire and vegetable cards set in frames and fixed in machinery.
17. Hand cars, of one or two wheels, and *borriquetes*.
18. Crucibles of all kinds and materials.
19. Cars and trucks for railroads.
20. Coal of all kinds.
21. Mineralogical and geological collections of all the branches of natural history.
22. Wooden and iron dwelling houses complete.
23. Designs and models for machinery, buildings, and vessels.
24. Staves and bottoms for barrels.
25. Vessels of all kinds and forms, whether nationalized, for sale, or introduced to navigate the bays, lakes, canals and rivers in the Republic.
26. Iron and steel wrought into rails for railroads.
27. Fruits and fresh vegetables, with the exception of those specified.
28. Guano.
29. Ice.
30. Maize flour.
31. Scientific instruments.
32. Printed books, in rustic or in paste binding, with the exception of those specified in article 18 of this tariff.
33. Wood.
34. Bricks and refractory earths.
35. Printing type, including letters, shields, spaces, vignettes and plates.
36. Ordinary building wood and roof scantling, and for packing.
37. Indian corn.
38. Geographical and typographical maps, nautical charts, terrestrial and celestial globes.
39. Machinery and apparatus of all kinds for agricultural industry, mineralogy, science and art, and their loose or extra parts. The loose pieces of machinery or apparatus, such as crude iron, hooping in bars or casks, oils, cloths, canvases of linen or other material, hides, tanned or otherwise, even when they come together with machinery, will be subject to the payment of duty according to this tariff.
40. Machinery, steam engines and locomotives, sleepers for railroads, and other accessories belonging to such roads.
41. Crude marble, and in squares of all dimensions for floors.
42. Box wood.
43. Collections of coins, ancient and modern.
44. Precious metals, in paste or in dust.
45. Moulds and measures for the arts.
46. Fuses for mines.
47. Legal money, in gold or silver, of all the nations.
48. Objects of natural history for museums and cabinets.
49. Plants and seeds for the improvement of agriculture.
50. Dry feed in straw.
51. Slates for roofing and flooring.
52. Lithographic stones.
53. Powder for mines.
54. Pus for vaccination.
55. Oars for small boats.
56. Common salt, to be introduced by way of Paso del Norte.
57. Saltpetre.
58. Sulphate of copper.
59. Wooden types and other materials for lithography.
60. Printing ink.
61. Hammering blocks for silversmiths.

62. Rags of all sorts, for the manufacture of paper.

63. Anvils.

512. Following the same system of exempting from duties all those articles whose cheap acquirement is deemed necessary, a decree posterior to the date of the tariff of January 1st, 1872, has been promulgated making the following goods free of import duty:

Sulphur, hypo-sulphate of soda and iron girders for roofs.

513. Attention should be called to the fact that the articles which are produced in the best quality, and which are sold at the lowest prices in the United States, such as machinery of all classes, are completely free of import duties in Mexico. It is also to be observed that by virtue of this circumstance the respective classes of goods are also exempt from such duties as the States may have imposed upon them, because these duties are collected at the rate of so much per cent. on the quoted amount of import dues.

514. In its proper place the ideas of the Report will be examined with reference to the probabilities which there are that the importation of goods exempted from duties will increase commerce between Mexico and the United States.

c. Rates of the present Mexican tariff compared with the former ones.

515. With regard to the rates of the Mexican tariff, incontestable improvements have been made, as will be seen in the following brief statement touching the regulations of former tariffs, and their comparisons with the arrangements provided in the present one.

516. The tariff of December 15, 1821, which is without doubt the most simple and based on good economic principles, laid down (in Article 30, Chap. I.) that all the goods of every nation which might be imported into this country should pay a single duty to the public treasury, which was twenty-five per cent. on the rate annexed to the said tariff law. The tariff was divided into six sections, each one comprising the merchandisé of its own class, and contained 472 fractions, each one of which comprised a class of goods. Chapter II. enumerated in its nine articles as many sorts of merchandise, which, on account of having variable prices, were not comprised in the rates of duties, and which merchandise should pay twenty-five per cent. upon appraisement, this being effected by the custom-house inspector with the knowledge of the collector. Article 8 of Chapter I. ordered that all merchandise not comprised in this tariff should pay duties corresponding to those specified in it, and with which they might be most analogous.

517. The tariff of November 16th, 1827, changed these bases. In this tariff, which is subdivided into nine sections, that comprise goods of all sorts in alphabetical order, though each letter is divided into corresponding sections, there are 496 fractions or classifications of merchandise. On each one of these comprised in the tariff a certain rate of import duty was imposed. Article 15 provided that goods not specified in the tariff should pay forty per cent. on the appraisement that might be made upon them in the port. A notable fact is the small number of fractions included in the tariff of 1827 with respect to that of 1821.

518. The tariff of March 11th, 1837, adopted precisely the system of valuation fixed in the former one. Its rate is, notwithstanding, notably reduced, because it is composed of six sections, with only seventy-nine fractions or classifications of merchandise. This decrease is explained by observing that in Article 42 there are enumerated fourteen classes of merchandise which ought to pay import duties at the rate of thirty per cent. on the invoice, calculated with the addition of a certain percentage, which varied according to the nature of the goods. The abuses committed in the declaration of the value of the invoice are so old that the corresponding article in this tariff, which ordered that the import duties should be collected upon that value provided that there should be added to it a rate of from ten per cent.—as in the case of cloths and silk fabrics—up to twenty-five per cent., as in that of cloths and fabrics of cotton. Articles 46 and 48 decreed, in addition, other measures to cut off the abuses which up till then were frequent, of greatly undervaluing the prices of the invoices.

519. The tariff of April 30th, 1842, repeated nearly textually the provisions of that of 1837. Its rates were

512. Articles declared free of duties after the adoption of the present tariff of January 1st, 1872.

513. The United States produce many of the articles that are free of duty in Mexico.

514. The ideas of the Report with respect to the increase of commerce between the two countries, will be examined in another place.

515. In the rates of the present Mexican tariff, incontestable advances have been made with respect to the former ones.

516. Provisions of the tariff of December 15th, 1821.

517. Rates of the tariff of November 16th, 1827.

518. Rates of the tariff of March 11th, 1837.

519. Rates of the tariff of April 30th, 1842.

composed of eight sections having 119 fractions or classifications of merchandise. The goods not comprised in the rates were to pay twenty-five per cent. on appraisement (Article 10.) In order to form this appraisement, or market value, it was provided by article 11 that there should be added to the value of the invoice a sum which varied from twenty per cent. on ordinary mercer's goods and woolen fabrics, to one hundred per cent. on plate and window glass, according to the several sorts of merchandise enumerated in twenty fractions (Article 11).

520. The tariff of September 26th, 1843, is based on the same system as the foregoing. Though preserving the system of the foregoing tariff as to the collection upon appraisement, its rate is, notwithstanding, considerably increased, being composed of five sections, with 218 fractions or classifications of merchandise. All the merchandise not comprised in the scale of rates (Article 11) had to pay thirty per cent. upon appraisement.

521. The tariff of October 4th, 1845, differs substantially from the preceding ones. Its rates for the collection of duties for goods which paid a fixed percentage are composed of eight sections, with 842 fractions or classifications of merchandise. Those contained in the scale of rates had to pay (Article 12) the designated percentage fixed by the custom-house inspectors who passed the goods, which duty was that designated in the rates for merchandise to which they most nearly corresponded, and those not included in this case were appraised at the market value; from this price a reduction of thirty per cent., and on the net remainder duties were collected at the rate of thirty per cent. Both in the appraisement and in the classification of rates by analogy the Collector had to intervene.

522. The duties fixed by this tariff were so high that the law of May 3d, 1848, reduced them to sixty per cent. The law of November 24th, 1849, repealed Article 18 of the tariff, which contained the rates on drugs and chemical products, and ordered that the 394 species of merchandise contained in it, less 63 that are mentioned in Article 8 of the same law, should pay forty per cent. duties on the value of the invoice, instead of the fixed rates, there being a reduction of sixty per cent. on the remaining rates, decreed by the law of May 3d, 1848.

523. The so-called Ceballos tariff of January 24th, 1853, does not deserve the name of tariff, for it is reduced to the reformation of some of the provisions of that then in existence, moderating them greatly, and making further concessions to commerce.

524. The tariff of June 1st, 1853, is a reproduction of that of October 4th, 1845. It has a scale of rates made up of eleven sections and 475 fractions or classifications of merchandise, in which a fixed amount is set down for each one. Article 9 lays down that, similarly to the twelfth article of the tariff of 1845, such merchandise as is not named in the fixed rates should pay the duty assigned in it for goods having the greatest analogy to them, and that such as might not be brought under this heading should be appraised at the market value and pay twenty per cent. upon the amount of the appraisement. Although the rate was lower, the thirty per cent. reduction was taken off the appraisement, which was ordered to be effected in accordance with the tariff of 1845. Jewelry was, however, excepted from this provision, and it paid six per cent. upon the value of the invoice, as the only duty.

525. The ordinance of January 31st, 1856, came in to substantially change the system up till then observed. In its rates, which were composed of only one section, similarly to the tariff of 1827, there were enumerated 525 species of merchandise; a number inferior, speaking absolutely, to that of the tariff of 1845, but really equal, because 394 fractions which that tariff devoted to drugs and chemical products were comprised in a sole fraction of this one. The order of the fractions is not rigorously alphabetical, seeing that each one of the letters appears the same as in the tariff of 1827, giving merchandise of different sorts and materials, as cotton, groceries, &c.

526. In this tariff, notwithstanding the difference with former ones, as has already been indicated, not only the merchandise which paid a fixed rate of import duty was set down, but also there figured in it such goods as paid by appraisement, including drugs, jewelry, &c. The second paragraph of article 8 provided that all goods not specified in the rates, and which were not expressly prohibited, should pay twenty-five per cent. on the whole-sale market price, the day on which they might be passed by the custom-house.

520. Rates of the tariff of September 26th, 1843.

521. Rates of the tariff of October 4th, 1845.

522. Reduction in the preceding tariff, made by the laws of May 3d, 1848, and November 24th, 1849.

523. Rates of the Ceballos tariff of January 1st, 1853.

524. Rates of the tariff of June 1st, 1853.

525. Rates of the tariff of January 31st, 1856.

526. Differences between this tariff and the former ones.

527. The existing tariff of January 1st, 1872, introduced important modifications in this matter, with the object of simplifying the custom-house operations and those of the importers. In it an endeavor was made to profit by former experience, for the purpose of simplifying the tariff as much as possible, and, in consequence, the operations of the custom-house and commerce. For this reason the system of imposing duties at fixed rates was, as a general rule, adopted, and only in such cases as where insuperable difficulties were felt was the rule established of collecting a certain percentage upon appraisement or the value of the invoice.

528. The present tariff of January 1st, 1872, is divided into ten sections, as follows :

First, Cottons.....	66	fractions
Second, Linen and hemp.....	56	"
Third, Woolens.....	54	"
Fourth, Silks.....	36	"
Fifth, Mixtures of different materials.....	11	"
Sixth, Groceries and provisions.....	102	"
Seventh, Crystal, glass and crockery.....	10	"
Eighth, Mercer's goods, hardware and ironmongery.....	321	"
Ninth, Medicines and druggists' goods.....	1	"
Tenth, Miscellaneous and unclassified objects.....	117	"
Total number of fractions.....	774	

529. It was resolved that merchandise not named in the tariff should pay fifty-five per cent. on the market prices by appraisement ; because this was, as a general rule, the proportion which ruled between the duties on merchandise quoted in the tariff and their market values.

530. Posteriorly to January 1st, 1872, on which date the existing tariff came into operation, other articles have been placed on the list of fixed rates ; among them are drugs and medicines, which, in conformity with the rates of this tariff, paid 88 per cent. on the amount of the invoice. The number of articles specified reaches at present 1378. The merchandise which has to pay duty on the amount of the invoice remained reduced to ready made clothing, drugs and medicines, gold and silver jewelry, gold or silver headed walking sticks, and watches. Article 22 of the tariff laid down that if when the goods were passed the lowness of their prices in the invoice was noticed, and that there was reason to suspect fraud, the appraisement of them should be proceeded with by the assistance of three experts, one to be named by the custom-house, another by the importer, and the third, or umpire, by these two.

d. The imposition of Import Duties by means of fixed rates in preference to collection upon Appraisement on the sum of the Invoice.

531. It is proper to explain the system followed by the Mexican tariffs in the imposition of import duties on foreign merchandise by means of fixed rates.

532. In the first tariffs, those of December 15th, 1827, and November 16th, the import duties on foreign merchandise named in them were fixed by their respective number, weights and measures, and appraisement was only resorted to for merchandise not classified in the tariff list, and for others having variable prices. This previous determination was relaxed in subsequent tariffs to the degree that on December 31st, 1856, the collection of duties by appraisement was directed in the scale of fixed rates itself.

533. Experience has demonstrated that the system of duties on appraisement and the value of the invoice have great inconveniences, as much for commerce as for the custom-house. For commerce, because the market value is subject to the variations and caprices of position and the charges caused by a scarcity or an abundance in the supply, leaving no basis on which to calculate the cost of orders ; and for the custom-house because of the questions which arise in the despatch of business when fixing the market value of various articles not consumed there, questions that have to be solved by the judgment of experts, whose decisions, on account of their generally being merchants, are mostly against the interests of the revenue.

527. Rates of the present tariff of January 1st, 1872.

528. The present tariff is divided into ten sections with 774 fractions.

529. Merchandise not specified in the present tariff to pay 55 per cent. upon the appraised value.

530. Number of articles of commerce placed on the tariff rates of January 1st, 1872, and under the posterior enactments.

531. System of the Mexican tariff with regard to the imposition of rates of import duties on foreign goods.

532. The tariff of December 15th, 1821, and of November 16th, 1827, imposed duties on a fixed scale.

533. Advantages of this system over that of appraisement and the amount of the invoice.

534. The payment of duty upon the value of the invoice lends itself, in addition, to many abuses and even frauds, which happen to the prejudice of the revenue and of the honest merchant. A continuous experience has proved that in those cases in which merchandise pays duties on the value of the invoice, it frequently happens that the importer causes to be sent on, to present it to the custom-house, a file of invoices in which the price of the merchandise is reduced to a third or a quarter part of its true cost. As the custom-houses are frequently in want of the lists of prices current of foreign markets, they have no means of verifying the exactness of the prices set down in the invoices. If, on account of their seeming very low, the judgment of experts is appealed to, these nearly always decide, through motives already indicated, in favor of the merchant. The same thing happens if the custom-houses have the prices current, and on account of finding a great difference between these and the prices, the judgment of experts is resorted to.

535. These considerations, in which hardly the inconveniences of collecting the duties by appraisement, or the amount of the invoice are touched, brought about that in the existing tariff of January 1st, 1872, the duties by fixed rates should always be imposed, when possible, leaving the basis of the value of the invoice to be employed only in exceptional cases, and which have been reduced to very few, appealed to only when the other system presents greater difficulties.

c. Unification of rates in the existing Tariffs.

536. One of the most positive improvements in the present tariff is the unification of the rates which formerly constituted the import duties, and which, under different names, were collected on foreign merchandise. This has contributed remarkably to simplify the labors of importers and the operations of the custom-houses.

537. It is truly incredible to persons unacquainted with our tariff legislation, the multitude of imports which, under different denomination, were collected on imported merchandise.

538. The tariff of December 15th, 1821, established (art. 3, chap. 1) that a single duty should be collected on account of the public treasury on the entry of foreign goods; but by former provisions duty was collected on damaged effects. The law of August 4th, 1824, established a duty upon sending goods into the interior, which was to be collected, together with that of importation, in the ports and frontiers, at the rate of fifteen per cent. upon tariff quotations, with one-quarter part added. By the payment of this duty foreign goods were allowed to circulate freely in the interior of the Republic. The decree of December 22d, 1824, authorized the States to impose a duty of three per cent. on foreign goods, as a duty on consumption, on appraisements made in the maritime custom-houses at the time of their introduction.

539. The tariff of November 16th, 1827, was not limited to the establishment of a single duty, like the former one, but it expressly provided (article 17) that the duty on damaged effects was suppressed, and all the additional ones, which under various names were paid to the federation for the importation of foreign merchandise. A little afterwards, notwithstanding, the law of August 22d, 1829, authorized the States to impose a duty of two per cent. on the consumption of foreign goods, in addition to the three per cent. which they were authorized to collect by the law of December 22d, 1824.

540. The law of August 24th, 1830, increased the duty on consumption five per cent. on "clothes, fruits, and goods coming from abroad" (article 1st), and ten per cent. which had been decreed on "November 9th, 1829, upon liquors coming from the same source" (article 2d). A fifth part of the five per cent. of this duty, and a tenth of the ten per cent., was for the States, and the rest for the federal revenue. The law of April 31st, 1831, ordered that this duty should be paid in the respective maritime or frontier custom-house at the time of despatching the goods to the interior. The law of May 1st, 1831, extended for six months, with one per cent., the duty on consumption of foreign goods, collectable in the port at the time of despatching them to the interior. After this period, one per cent. was to be added to the duty upon despatching for the interior, payable without the credit periods conceded for this duty by the present tariff.

534. Abuses that could be practiced in the collection of duties on the amount of appraisement or of the invoice.

535. The tariff of January 1st, 1872, imposes duties by fixed rates.

536. The present tariff unifies the different rates which were formerly collected on imported foreign merchandise.

537. The confusion formerly occasioned by the system of imposing various rates of import duties and foreign merchandise.

538. Arrangements with respect to this matter made in the tariff of December 15th, 1821.

539. Arrangements with respect to this matter made in the tariff of November 16th, 1827.

540. Arrangements with respect to this matter made by the laws August 4th, 1830, and April 1st, 1831.

541. The tariff of March 11th, 1837, abolished the duty on anchorage (article 2d), and through it solemnly fixed the import duty in conformity with the tariff; it ordered that the custom-houses should continue collecting the five and the ten per cent. on consumption, and the eleven per cent. on importation. The law of May 23d, 1837, decreed an impost of four cents on each square yard of foreign ordinary cotton fabrics, payable in the port from whence the goods should be despatched to the interior. The law of November 26th, 1839, increased to fifteen per cent. the duty on consumption in the maritime custom-houses, in accordance with the law of April 2d, 1831. The law of September 4th, 1841, came in to repeal the ten per cent. additional on the duty on consumption, decreed by that of November 26th, 1839. The law of November 15th, 1841, established (article 12, one-eighth per cent. on the import duties, collectable in the places where the mercantile tribunal might be established, and destined to pay the expenses of it. The decree of December 2d following increased to one-half per cent. on the value of foreign goods the duty for the mercantile tribunal.

542. The tariff of April 30th, 1842, only imposed the duty on importation in conformity with the rates and appraisements which it established, but ordered (article 98) that in addition to this duty there should be collected on foreign merchandise, upon its importation, the one per cent. established by the decree of March 31st, 1838, and the municipal and local duties of the ports. The decree of June 27th, 1842, fixed new bases for the collection of duties on consumption. The decree of February 28th, 1843, made applicable to all the ports the two per cent. on damaged effects, which at that time was collected only in Vera Cruz and Tampico.

543. The tariff of September 23d, 1843, ordered (article 95) that there should not be collected upon the importation of merchandise more duties than those fixed by it, besides the one per cent. established by the decree of March 31st, 1838, the two per cent. on damaged effects which has just been spoken of, and the municipal and local duties in the ports.

544. The same provision was repeated in the tariff of October 4th 1845, (article 102.) The law of October 9th, 1851, established an eight per cent. duty on consumption upon goods introduced from the maritime and frontier custom-houses into the interior of the Republic, payable in the place of consumption. One-half of the product of this duty went to the Federal revenue and the other to the States. This law repealed those of December 22nd, 1842, and August 22nd, 1829, which imposed the three and the two per cent. for the States, and left in operation those of August 24th, 1830, and April 2nd, 1831, which created the duty of five and of ten per cent. upon foreign goods and liquors, collectable in the respective custom-houses, giving it the name of the duty of distribution in the interior. The decree of March 8th, 1853, reduced to five per cent. the duty on consumption, ordering that the distribution should be made in the manner provided by the law of October 9th, 1851.

545. The tariff of June 1st, 1853, established (article 93) that no duty excepting that for the national treasury should be collected on foreign merchandise upon their importation; also, the one per cent. decreed on March 31st, 1833, the two per cent. on damaged wares decreed February 28th, 1843, and the municipal and local duties. The decree of July 29th, 1853, ordered (article 3d), that the interior custom-houses should collect for duty on consumption a quarter part of that upon importation, liquidated in accordance with the tariff of 1853. The law of April 28th, 1855, established the payment of fifteen per cent. import duties in bonds of the foreign debt, which provision should only last for one year. This provision was repealed by the law of October 17th of the same year of 1855. In the law of December 31st, 1855, (article 1st, part 37), twenty per cent. of the additional duties was assigned to the cancellation of what was called the interior debt.

546. This superficial statement, though succinct and incomplete, of the provisions of the former tariffs, with regard to the duties imposed on foreign merchandise, and of the laws which augmented or modified them, gives an idea of the real chaos which the branch of duties on importation had fallen into. Always when it was thought necessary to increase these duties, others of different characters were created, and which fell upon the import duty; and although in establishing the ones of different denominations it was decreed that they should be paid in other places, yet their payment came to be always exacted in the ports.

541. Similar arrangements of the tariff of March 11th, 1837, and the laws of May 23d, 1831, and of November 26th, 1839, and of September 4th, November 15th, and December 2d, 1841.

542. Arrangements with respect to this matter made in the tariff of April 30th, 1842, and the decrees of June 27th, 1842, and February 28th, 1843.

543. Arrangements with respect to this matter made in the tariff of September 23d, 1843.

544. Arrangements with respect to this matter made in the tariff of October 4th, 1845, and posterior laws.

545. Arrangements with respect to this matter made in the tariff of June 1st, 1853, and posterior laws.

546. Summary of the arrangements made with respect to this matter in the tariffs anterior to that of January 31st, 1856.

547. The ordinance of January 31st, 1856, came in and brought system out of this disorder, giving a different name to each one of these duties, making them uniform and general. Differing from former tariffs, it established the import duties only as a basis which should be collected at fixed rates, or by appraisement, according to the tariff scales, and upon these (Article 11) the additional duties, which are: the municipal, material improvements, interior distribution, check register, and cancellation of the debt. These additional duties, excepting the municipal, which consisted in twelve and a-half cents on each package of 200 lbs., made up the rate of eighty per cent. upon import duties, all payable in cash, excepting that on the cancellation of the debt, which amounted to twenty-five per cent., and which might be paid in securities of what is called the interior debt. The principal object of this subdivision of the duties was to leave free a sufficient sum to pay the expenses of the Administration without neglecting to pay that corresponding to the foreign conventions, which had a certain percentage set apart for them from the import duties.

548. The several duties created by the tariff of January 31st, 1856, soon come to suffer different variations, and when the law of January 1st, 1872, was circulated, they represented seventy per cent. of the import duties, of which fifteen per cent. was payable in shares of the Vera Cruz railroad, and the remainder in cash. In five of the principal custom-houses twelve per cent. was payable in other paper of the same company.

549. It is easy to see, in view of this brief statement, the confusion and difficulties against which foreign commerce stumbled in its importing trade with Mexico. The simplification of this system, reducing to one sole scale the various duties which weighed upon foreign merchandise, was a real necessity that was realized by Article 19, of the present tariff, which provided that these goods should pay, upon their introduction into Mexico, as the only duty, the scale of rates designated in this same tariff.

f. Commerce conducted according to the scale and transport by foreign vessels in American ports.

550. The tariffs which until now have been in force throughout the Republic have applied to sailing vessels, because steam communication is of relatively recent use. In the first of them, that is, that of December 15th, 1821, and in that of November 16th, 1827, a foreign vessel was not allowed to carry merchandise any other way than from a single foreign port to a single Mexican port. The tariff of March 11th, 1837, then authorized, in Article 17, the carrying of merchandise from several foreign ports to a single Mexican port. The tariff of April 30th, 1842, in prohibiting foreign vessels from carrying goods according to scale, or engaging in the coasting trade in Mexican ports, authorized them, in Article 109, to touch at another Mexican port, different from the one of entry, although for the sole purpose of taking in national goods intended for exportation. Article 2 of the tariff of September 26th, 1843, prohibited all vessels, whether national or foreign, from bringing foreign goods to more than one Mexican port, and punished the infraction of this prohibition with the pain of confiscation of both vessel and cargo destined to the same port; but in Article 105, while prohibiting foreign vessels to make voyages according to scale, or to engage in the coasting trade at Mexican ports, authorized them to finish discharging in the port of their destination, and enabled them to receive national goods in any Mexican port open to commerce on the high seas or the coasting trade. These same provisions were repeated in Articles 2 and 110 of the tariff of October 4th, 1845. The same prohibitions and authorization were reiterated in Articles 2 and 100 of the tariff of June 1st, 1853.

551. The tariff of January 31st, 1856, was the first that mentioned steamers, though only to place them on a better footing than sailing vessels, in what concerns the payment of anchorage dues (Article 3, fraction II.) In Article 18 it is permitted for foreign sailing or steam vessels, after discharging in the port of entry, to pass to another Mexican port open to high sea navigation or the coasting trade, only for the purpose of carrying the mails or passengers. Fraction V. of Article 21 authorized, besides, foreign vessels to carry cargoes for three or four Mexican ports. Fractions V. and IX. of Article 3 preserved to foreign vessels the right of loading with national goods at one or more Mexican ports, open to high sea commerce or the coasting trade.

552. The tariff of January 1st, 1872, although preserving the relatively high import duties, contains more liberal measures for foreign commerce than all the former ones. Fractions II. and V. of Article 6 preserve the

547. Arrangements made with respect to this matter in the tariff of January 31st, 1856.

548. Amount of duties that were collected at the time of circulating the existing tariff of January 1st, 1872.

549. Advantages of the existing tariff with respect to former ones, upon this point.

550. Arrangements anterior to January 31st, 1856, with respect to the carrying trade by scale and transit in Mexican ports.

551. Arrangements made by the tariff of January 31st, 1856, with respect to the carrying trade by scale and transit in Mexican ports.

552. Arrangements of the present tariff of January 1st, 1872, with respect to the carry trade by scale and transit in Mexican ports.

freedom of the former tariff for all vessels, as far as anchorage dues are concerned, and the 8th concedes other new ones to them. Article 45 expressly authorized foreign vessels to carry cargoes to two or more Mexican ports. The 49th authorized them to carry the mails and passengers from one to another Mexican port. The 29th gave them power to touch at any point on the coast, even though it might not be open to high sea navigation or the coasting trade, to load national goods, with the object of facilitating their transportation. The 77th authorized the transit of foreign goods crossing the territory of the Republic.

553. As foreign mail steamers frequently came to the port of Vera Cruz, carrying cargoes for foreign ports, in addition to what they brought to those of Mexico, the Secretary of the Treasury decided, on January 11th, 1875, that they should be permitted to carry on the transit trade. This resolution was circulated on the same date in the custom-houses of Tampico, Tuxpam, Campeche and Progreso, in which ports the steamers receiving the privilege were in the habit of touching; and, besides, the Secretary of State was communicated with, and also the Consul of the Republic at New Orleans, without notifying any of the custom-houses on the Pacific.

554. On February 28th, 1877, the order of January 11th, 1875, was made applicable by the Secretary of the Treasury to all Mexican ports.

555. With the object of making uniform in all the ports of the Republic the different orders and regulations touching this point, they were embraced in the regulations of the Secretary of the Treasury, which was circulated September 8th, 1877.

556. The present Government of Mexico, desiring to make these liberal arrangements applicable to sailing vessels arriving in our ports, ordered, on April 11th, 1878, that after August 1st, following, such sailing vessels as might touch in Mexican ports would be authorized to do a transport business; that is, they might carry, in addition to foreign goods destined for Mexican ports, others destined for foreign ports.

g. The Transit Trade through Mexican Territory.

557. The transit trade was unknown in the tariffs before that of January 1st, 1872, and all goods which passed through any Mexican port, or touched at any points of the territory of the country, had to pay import duties, even when they were destined for consumption in another nation. The law of December 24th, 1871, authorized the transit trade across the frontiers and ports of the Republic, precisely for the benefit of the nations bounding with Mexico; that is, the United States and Guatemala; and the provisions of this law were incorporated in the tariff of January 1st, 1872.

h. The Coasting Trade done in Mexican Ports by Foreign Vessels.

558. The best proof that could be presented that Mexican legislation concerning commerce has a tendency towards conceding the greatest possible privileges, is the concession made to foreign vessels, enabling them to do a coasting trade in Mexico, which is reserved by nearly all nations to their own vessels as an efficient protective measure of the commercial marine.

559. Nearly all the Mexican tariffs had prohibited in the most absolute manner foreign vessels from engaging in the coasting trade; but since 1872 this prohibition has been reduced to the degree of conceding to foreign vessels, with very few limitations, as will speedily be shown, the privilege of doing the coasting trade.

560. On June 2d, 1875, this Secretary's office sent out the circular No. 25, in which it was ordered that on account of some doubts which had arisen with regard to the orders of December 3d and 23d, 1872, which permitted the participation of foreign sailing vessels and steamers in the coasting trade, the custom-houses should observe the following rules:

1st. When there are national vessels doing the coasting trade, foreign ones shall not be permitted to participate in this traffic.

2d. When there are no national vessels, foreign ones, either sailing or steam, will be allowed to engage in the coasting trade.

3d. When the amount of merchandise intended for embarkation from one port to another in the Republic is too small to load a national vessel, its embarkation will be allowed in a foreign steamer.

553. Posterior arrangements to those of the tariff of January 1st, 1872, with respect to the same matter.

554. Arrangements of February 28, 1877, with respect to the same matter.

555. Regulations of the Secretary of the Treasury, of September 8th, 1877, with respect to the same point.

556. Regulations of April 11th, 1878, with respect to the same point.

557. The tariff of January 1st, 1872, authorized the transit of trade across Mexican territory.

558. Provisions of the Mexican laws with respect to the coasting trade by foreign vessels.

559. Tariffs anterior to the existing one prohibit foreign vessels from engaging in the coasting trade.

560. Orders of the Secretary of the Treasury, authorizing foreign vessels to engage in the coasting trade.

4th. The fact of a foreign vessel arriving in a port of the Republic, bringing goods despatched from another national port, will not subject either the vessel or the merchandise to any penalty, for should there be any irregularity in the despatching of the vessel, the collector of the custom-house passing her will be held responsible.

561. On August 12th, 1875, Circular No. 25, reforming No. 25, was sent out in consequence of reasons manifested by the Governor of the State of Campeche, in the following terms :

" 1st. Collectors of maritime custom-houses will permit foreign sailing vessels or steamers to do a coasting trade always when there are no national vessels with open register in port and going to the same place to which the others may be bound.

" 2d. No penalty will be imposed either upon foreign vessels or the merchandise they may carry on account of having been permitted to do a coasting trade, for the responsibility will rest with the collectors of the custom-houses from whence they proceed, if at the time of despatching them they should not have observed what is laid down in paragraph No. 1."

562. On the 23d of May, 1876, another circular was issued ordering that foreign vessels, whether sailing or steam, should not be permitted to do a coasting trade in the ports of Tampico, Taxpam, Vera Cruz, Coatzacoalcos, Frontera, Isla del Carmen, Campeche, Progreso, nor in any of the intermediate ones, on account of there being in them a sufficient number of national vessels devoted to this traffic.

563. On the 31st of July, 1877, another different circular was issued addressed to the Gulf custom-houses, directing that they should allow foreign vessels, whether sailing or steam, to carry gold and silver coin from one port to the other in the Republic, so that they should not, on account of the want of cash, miss the mercantile transactions connected with the exportation of national fruits; and that in order to avoid abuses the custom-houses should issue a certificate and accept security for the return of the proper acknowledgements from the officials in other ports where such vessels might touch.

564. On September 8th, 1877, orders and regulations were issued from this Secretary's office, to which all steamers arriving in ports of the Republic were obliged to conform, and in the 12th and 13th the following is ordered :

" 12th. That the authorization contained in the circulars dated August 12th, 1875, and May 23d, 1876, be continued to steamers which run to the Pacific ports, enabling them to do a coasting trade under the conditions laid down in such orders; and that concerning the carrying of gold or silver coin, the custom-houses of the same ports will observe the rules prescribed for those of the Gulf in the circular of July 31st, 1877.

" 13th. That the authorization conceded under date of July 31st, 1877, to steam and sailing vessels running on the Gulf, be continued, so that they may carry gold and silver coin from one Mexican port to another, under the conditions and circumstances laid down in the same order."

565. From this superficial statement of the existing arrangements upon this matter, it appears that foreign steam or sailing vessels can do a coasting trade in national and nationalized merchandise in the ports of the Republic in the Gulf of Mexico, those of Tampico, Tuxpam, Vera Cruz, Coatzacoalcos, Frontera, Isla del Carmen, Campeche, Progreso and the intermediate ones, being subject to the provisions of the circulars of June 2d, 1875, and August 12th, of the same year. The same foreign vessels could also carry gold and silver coin from one port to another in the Republic, including those excepted in the foregoing paragraph, by giving the required security of presenting the proper official acknowledgement and complying with the other requirements of the circular from this Secretary's office, dated July 31st, 1877.

i. Throwing open the Mexican coast to the export trade.

566. Another of the most liberal reforms comprised in the Mexican tariff, the object of which is to facilitate the development of many important branches of our scanty production, is the broadening of the privileges conceded to foreign vessels to discharge or to land national goods in our ports. In former tariffs, and even in that of July 1st, 1853, (Article 2,) vessels coming from a foreign port, even though they were national bottoms, were prohibited from touching at any other port than that of entry, and very severe penalties were imposed upon the infringement of this provision, even upon those that carried goods destined for two or more Mexican ports. Fortunately this extreme rigor has been moderated by posterior arrangements, and in the present tariff the point required by public convenience has been reached.

561. Arrangement of August 12th, 1875, on the same point.

562. Circular of May 23d, 1876, upon the coasting trade by foreign vessels in Mexican ports.

563. Circular of July 31st, 1877, which permits the carrying of money by foreign vessels.

564. Order from the Secretary's office of the Treasury, September 8th, 1877, respecting the same point.

565. Summary of the existing orders about scale trips by foreign vessels.

566. Opening of the Mexican coast to the export trade by the tariff of January 1st, 1872.

567. Article 79 of the present tariff of January 1st, 1872, authorizes foreign vessels arriving in any of our ports open to high sea navigation, when there are no national vessels, after having discharged, to pass to any point on the coast, even when there may be no custom-house there either for high sea navigation or the coasting trade, for the purpose of taking in national goods, with the previous permission of the collector of the corresponding custom-house.

568. This privilege has opened all the coast of Mexico to the export trade, giving authority to foreign vessels to take in national products on any part of the coast where they might have the greatest facility for loading there, even when such ports are not open to high sea navigation or the coasting trade.

RATES OF THE MEXICAN TARIFF UPON SOME GOODS THAT ARE PRODUCED IN THE UNITED STATES.

569. The Report inserts a list of articles which in its opinion the manufacturers of Chicago would try to import into the Mexican Republic, and mentions the duty which each one of those articles pays in conformity with the existing tariff, with the object of showing that those duties are prohibitive, and that while they subsist they will form a great obstacle to the prosperity of the commerce between the two countries.

570. In order to methodically examine this point, it is convenient first to give the list of the articles, with their respective rates of import dues inserted in the Report, than rectify the mistakes incurred in it, compare the rates of the present Mexican tariff with some of those of the United States tariff, and lastly, to make some general observations upon the same matter.

571. The list of foreign goods which the Report considers weighed down by such high duties that they are called prohibitive, and therefore their importation into this country is thought difficult, is the following:

Cottons (domestics) unbleached, per square metre.....	\$0 07
Calicoes.....	0 16
White thread, kilogramme.....	0 60
Colored ".....	0 95
Spool thread, per dozen.....	0 14
Cassimers and similar woolen goods, per square metre.....	1 14
Open carriages, or coupes.....	176 00
Coaches, phaetons, landaus.....	396 00
Buggies.....	132 00
Sulkies.....	66 00
Carts.....	80 00
Harness for carriages, per kilogramme.....	2 00 gross.
Harness for carts.....	0 86 "

Furniture 55 per cent. on the Manufacture and 25 per cent. additional.

Pianos.....	Kilogram.....	\$00 43 gross weight
Flour.....	".....	00 10 nett weight
Wheat.....	".....	00 04 "
Barley.....	".....	00 03 "
Rice.....	".....	00 07 "
Hops.....	".....	00 18 "
Smoked ham.....	".....	00 24 "
Smoked and salt meats.....	".....	00 24 "
Hog's lard.....	".....	00 18 "
Butter.....	".....	00 24 "
Cheese.....	".....	00 14 "

567. Article 79 of the same authorizes foreign vessels to take in national goods on any part of the coast.

568. This privilege has opened the Mexican coast to foreign commerce.

569. Opinion of the Report as to the difficulty presented by the rates of the Mexican tariff to the commerce of the United States.

570. The propriety of inserting the list of the goods mentioned in the report, in order to make the corresponding corrections.

571. List of merchandise produced in the United States and rated on the tariff rates which are mentioned in the Report.

Tallow candles.....	Kilogram.....	00 08	gross weight
Stearine.....	".....	00 19	"
Paraffine.....	".....	00 38	"
Crackers.....	".....	00 12	"
Canned fruits, including can.....	".....	00 50	nett weight.
Canned meats and fish.....	".....	00 72	"
Pickles, including bottles.....	".....	00 48	"
Fine toilet soaps.....	".....	1 15	gross weight.
Common soap.....	".....\$00 30 to	00 80	"
Common window glass.....	".....	00 17	"
Powder.....	".....	2 00	"
Iron nails of all kinds.....	".....	00 12	"
All kinds of tools of iron, steel or wood for mechanics...	".....	00 19	"
Ready-made clothing.....	".....		132 per cent.
India Rubber Coats.....	".....	\$ 1 43	gross weight.
" " Shoes.....	".....	00 43	"
Oil cloth for tables.....	".....	00 29	"
" " floors.....	".....	00 29	"
Boots of yellow sheepskin.....	Dozen.....	16 50	"
" " calfskin or morocco.....	".....	27 00	"
Men's common shoes of calfskin or morocco.....	".....	7 00	"
" fine ".....	".....	16 50	"
Women's fine ".....	".....	17 00	"
" common leather shoes.....	".....	5 50	"
Carpets 2x3.....	Square metre.....	00 80	"
" fine Brussels.....	".....	00 95	"
" velvet.....	".....	1 40	"
Mats, palm leaf.....	Kilogram.....	00 16	"
Vinegar, in barrels.....	".....	00 05	nett weight.
" in bottles.....	".....	00 10	"
Whiskey, in barrels.....	".....	00 33	"
" in bottles.....	".....	00 38	"
Beer, in barrels.....	".....	00 10	"
" in bottles.....	".....	00 20	"
Petroleum, including cans.....	".....	00 09	"
Rosin.....	".....	00 25	gross weight.
Tar.....	".....	00 03	"
Salt.....	".....	00 05	"
Potatoes.....	".....	00 02	"
Onions.....	".....	00 02	"

C. Rectification of the List of North American Merchandise rated by the Mexican Tariff, contained in the Report.

572. The rates affixed to the major part of the articles contained in the preceding list are correct, but regarding some of them, there were typographical errors in the Report, or else the report itself was incorrect. It is therefore necessary to make the following specifications:

573. It is true that the white and unbleached cotton cloths pay, according to the Mexican tariff, the rates of 9 and 16 cents, but the list does not say which of them pays the first of these rates, and which the second, but all the unbleached are rated at 9 cents and the bleached at 16 cents. It might be thought, consequently, that the "Imperial," "Madapollam" and other cloths of like class, had to pay the rate of 16 cents per "square metre," which is not true, for only the fine white cotton cloths have to pay this rate, and only those are considered as such that count more than 33 threads of warp and woof in half a centimetre square on each side. The relatively few cloths of this class imported to the Republic cannot be confounded with what is commonly called in English "bleached domestics."

572. Rectification of the misstatements contained in the list of the Report.

573. Rectification of the rate on white sunbleached cotton cloths.

574. Cotton thread on reels pays, as stated, the rate of 14 cents per dozen, according to the tariff in force; but the Report does not state that these reels, under and subject to this duty, can measure up to 275 metres. According to the United States tariff the same article pays, for every 100 yards or fraction thereof, 6 cents per dozen of reels, and an additional duty of 35 per cent.; it is, therefore, burdened there with a rate very much higher, when the reels are of 300 yards or 274.32 metres. The white and colored threads, which are rated in the list at 60 and 96 cents the kilogram, are the white, unbleached and colored yarns, as those are the articles which pay those duties.

575. Meats and fish in tins, which, according to the Mexican tariff, pay 72 cents per kilogram, nett, are those which are only consumed by the richer people; therefore, the mentioned rate is in relation to their first cost, and is no obstacle to their sale. It should have been stated in the list that sardines or any other fish or shellfish, pickled, salt, salted down or in oil, including sardines in tomato or butter, pay only a rate of 14 cents. These classes are of much larger consumption than the first.

576. Common soap bears a rate of 15 cents per kilogram gross weight, and does not pay from 30 to 80 cents, as the list states.

577. Fine powder for hunters pays, as stated, \$2.00 per kilogram, gross weight; but the Report omitted to say that this rate has been reduced one-half by the decree of August 31st, 1878, which is to take effect on the 1st of February next. It is proper to state here, also, that all kinds of mining powder is exempt from duty, and that which is imported, and in considerable quantities, comes from the United States.

578. Men's fine gaiter boots pay \$13 per dozen, women's \$13 when of leather, and \$17 when of silk. The list says nothing of women's *leather* gaiter-boots, and gaiter-boots are called "shoes," for shoes are rated as if they were gaiter-boots. No account is made, therefore, of the distinction in the tariff between men's and women's shoes and gaiters, for the former pay \$7 and the latter \$13, and there is no rate of \$16 50, as the Report states, on men's fine shoes. Women's shoes and gaiters bear the following rates:

Low shoes of leather or material other than silk.....	\$5 50
“ “ of silk, with or without ornament.....	10 00
Gaiter boots of leather or material other than silk, with or without ornament or elastics.....	13 00
Gaiter boots of silk with ornament or elastics.....	17 00

579. Moreover, the Report makes no mention of shoes and gaiters for children, which bear lower rates, of \$5, \$7 and \$10, according to their class, and limited to eighteen centimetres of sole.

580. Palm leaf mats pay 12 cents per kilogram, and not 16 cents as the Report states. This last rate would be correct according to provision 500 of the tariff; but before this went into force it was abrogated by the decree of June 28th, 1872, in its fifth article, which declared the said provision null and void, and in force only the 93d, which assigns 21 cents for the same class of mats.

581. It is stated in the preceding list that furniture pays 55 per cent. on the invoice price, and 25 per cent. additional. In another part of this communication it has already been shown that the Mexican tariff does not impose additional duties on any class of merchandise upon its importation into the Republic. Furniture pays according to provision 735 of the tariff in force, 55 per cent. on appraisement, and as this appraisement is made by augmenting the invoice price nearly 25 per cent., when the declaration of the invoice is considered exact the result is the same as if the duties were levied on the declared value, with 25 per cent. additional; but the Report falls into the mistake of calling additional the difference between the invoice and the market value.

D. Cause of the High Duties of the Mexican Tariff and General Observations on this Subject.

582. It is true that the Mexican tariff generally imposes high duties on foreign goods; but it is also a fact that some articles rated in the schedule of the tariff pay relatively low duties, and that many of the said articles are of American production. Wines and groceries, for example, bear generally lower duties in the Mexican tariff than in that of the United States.

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- 574. Rectification of the rate on cotton thread in reels.
 - 575. Rectification of the rate on meats and fish in cans.
 - 576. Rectification of the rate on common soap.
 - 577. Rectification of the rate on fine powder.
 - 578. Rectification of the rate on men's fine gaiter-boots.
 - 579. Rectification of the rate on gaiters and children's shoes.
 - 580. Rectification of the rate on palm-leaf mats.
 - 581. Rectification of the rate on furniture.

583. It cannot be denied that the high duties imposed upon the importation of foreign goods is a great obstacle to the increase of their consumption, for the poor class of the people, who compose the majority of the inhabitants everywhere, find it difficult to provide themselves with these articles, because of the high prices at which they are sold in consequence of those duties ; and it is a well-known maxim of political economy that the cheapness of goods increases their demand, and on the contrary, the high price of an article obstructs the increase of, and in many cases lessens its demand and consumption.

584. Aside from these general considerations, however, it must be borne in mind that there are certain goods the consumption of which is not impeded by the increased price caused by the high import duties, or other causes, as occurs, for example, with tobacco, sugar and other articles of general use, which, in spite of the high rates they pay in many countries, are imported in great quantities, figuring largely in the proceeds of the custom-houses.

585. Governments generally have two reasons for imposing high duties on certain foreign goods: First, as an important means of contributing to the public finances ; and, second, to protect the national production of like articles ; and either for some one of these two reasons, or for both combined, various nations, the most advanced in the science of political economy, impose heavy duties on certain foreign goods, and it can be assured that among these nations the United States occupies an important place.

586. In regard to Mexico, the cause of the relatively high duties imposed on various foreign goods of larger consumption, has been the fact that these duties form the principal basis of the federal finances, being that the proceeds of them form two-thirds of the income of the Treasury. Not having been able to form any internal revenue upon products sufficient to meet the public expenditures, it was necessary to levy a heavy tax on foreign goods of larger consumption in the country, such as linens and the ordinary fabrics of cotton and linen.

587. While the high import duties are uniformly imposed by all the other nations, no one of them can allege any special prejudice of its interests, and this is precisely the state of the case in regard to the duties imposed by the Mexican tariff on foreign goods.

588. If nails are not manufactured in Mexico, and their use is needed, it is plain they will be imported from abroad, and that the high duty they bear will not impede their importation, because the importer will only have to add to the price of the nails the import duty. The same thing can be said of hams and of the other goods mentioned in the Report.

589. If the United States should desire differential rates for their goods, less than the goods of other nations pay, this would be the subject of a reciprocity treaty, which subject will be spoken of especially further on.

590. The rates of the Mexican tariff do not, therefore, appear censurable ; the United States having also followed a strictly protective system, which in many cases has come to be prohibitive. In fact, the comparing of some rates of the Mexican tariff with those imposed by the United States tariff on the same articles demonstrates the exactness of this assertion.

591. The Report acknowledges that in the opinion of many citizens of the United States their tariff needs to be revised, and in many points reduced, and it is a fact that the economic system which has prevailed for some years in the United States is the protective one, by means of which manufacturing industry has acquired an extraordinary development in that neighboring nation. This will appear more clearly demonstrated upon drawing, further on, a comparison between some rates of our tariff and that of the United States. But even though the United States tariff were the lowest and most liberal, it does not appear that therefore the fact should not be recognized that Mexico has introduced into its commercial legislation various and important reforms, and that notwithstanding the difficult situation it has been in for a long time, on account of its internal dissensions and foreign wars, it has gone on changing, little by little, as circumstances have permitted, the prohibitive system of colonial times for another, partly protective, it is true, but founded on appreciable reasons. Whenever the state

582. The Mexican tariff does not impose higher rates than the United States on every article.

583. High duties are an obstacle to consumption.

584. In many countries high duties are imposed on certain articles without their consumption being impeded thereby.

585. Governments have two reasons for imposing high duties on foreign goods.

586. Import duties had to form, in Mexico, the principal revenue.

587. The import duties of Mexico are uniform to all nations.

588. The import duties do not weigh upon the importer, but upon the consumer.

589. Further on the propriety of entering into a reciprocity treaty with the United States will be spoken of.

590. The United States have followed a thoroughly protective system.

591. Mexico introduces into its commercial legislation important reforms, wherever circumstances permit.

of the treasury has permitted, the Mexican Government has granted new privileges to commerce ; it has unceasingly studied the question of the reduction of rates whenever this has been asked ; and if some of these rates are still so high that they weigh too heavily on the consumers, the reason lies in the peculiar circumstances of the country, which make any reform in its revenue laws necessarily gradual.

592. In order not to prejudice legitimate interests by too violent a reduction of the rates which in our tariff are imposed on articles of larger consumption, such as plain linens and prints, and by reason of a petition to the Executive for the reduction of those rates, two circulars were issued July 20th, 1878, in which the manufacturers and merchants of the country and several public officers of various States were asked to express their opinion on the convenience or inconvenience of the proposed measure, in order to decide as wisely as possible so important a question. The replies to the said circulars are numerous, and have thrown light on the question, as they contain commercial statistics which were not before obtained ; and the study of the matter being thus facilitated, the Executive will be able to work for the best interest of the public ; but no decisive steps will be taken until all the circumstances have been taken into consideration which may exist for or against the adoption of the proposed measure. The Government of Mexico has thus evidenced that it considers a radical reform in its tariff necessary, by taking under consideration, as it has already done, the principal point of the question, that of cotton cloths.

593. The duties which to said cloths are assigned by our tariff are really high, because in some cases they amount to more than one hundred per cent. upon the invoice value ; but the importation of white and printed cotton cloths of European manufacture, far from ceasing until now, on account of these high tariffs, all the quantity which can be consumed of them in the " Republic " has been and continues to be imported, the importation of the brownest only having diminished, in consequence of the extraordinary development which their manufacture has taken in the country.

594. The same reasons and considerations which are had in the United States to keep a highly protective tariff, which might otherwise be considered in certain cases as prohibitive upon imported articles, whose equals are produced in that country, have been the ones which have urged until now the conduct observed by the Mexican Government with respect to the duties imposed by its tariff.

Mexico could provide the United States with considerable quantities of certain products if it were not that the tariffs which that nation imposes are so high upon these articles that necessarily they have to look for their realization in other markets. Although it should not be understood that it is intended to censure the fiscal legislation of the United States, for each nation ought to procure, before all, its own good, and with that end, protect its established industries, creating at the same time sufficient rents to provide for its needs. The truth is, that Mexico cannot find in the United States as much facility for the realization of certain products as in Europe, where these products have incomparable smaller duties. If to this circumstance is added the fact that the articles of greatest consumption in this country have not been obtained until now with as much commodity in the North American markets as in Europe, it will readily be understood that although the traffic with the United States is capable of considerable increment, it is not easy, however, that the commercial legislation which actually reigns in that country can help its citizens to replace the Europeans in the sale of the principal articles of our consumption. It is furthermore necessary to have in mind that exaggerated protectionism is capable of injuring the same industries which it was intended to protect. For although it may assure itself against foreign competition, the lucrative production of all quantities consumed in the country prevents those which might be realized abroad.

595. From this it has resulted that the United States have not been able to compete in the rate of many articles in foreign markets with other nations, as England, France and Germany, which have established their industries, in virtue of a moderate protection, which was given to them at the beginning, and which has gone on diminishing as circumstances have permitted.

596. The Report appears to recognize the force of these considerations, for it sets forth that many citizens of the United States agree in the opinion that the import tariff of that country urgently needs revision, and further on he calls attention to the mining interests of Mexico, which he considers to be the only one which, being freed from the many incumbrances that now weigh upon it, and having the necessary guarantees of future exemption therefrom, would be the making of the prosperity of the country, for the products of that industry realizable abroad would increase extraordinarily. The Report recognizes in this that the legislator ought not to lose sight of the importance of encouraging the production of exportable articles.

592. Circulars of July 20th, 1878, on the reduction of the rates on common cotton cloth.

593. Cotton cloths are imported in quantities necessary for consumption, except the coarse unbleached.

594. The reasons which determined the United States to decree a high tariff are the same that have influenced in Mexico.

595. Reason why the United States cannot compete with other nations in certain goods.

596. The Report recognizes the propriety of revising the tariff of the United States.

597. A large proportion of the articles coming from the United States, which are imported into the Republic, are, as has already been elsewhere stated, entered free of duty. If the rest are not imported in larger quantities it is not because they pay duties which are too high (for in such case they would not be imported from other countries), but because other nations produce them cheaper.

E. The rates of the Mexican and United States tariff on certain goods compared.

598. In order to judge, from a knowledge of the case, to what degree the established import duties of the Mexican tariff may be an obstacle to the development of commerce with the United States, it is proper to make a slight comparative examination of the duties imposed on certain goods by the tariffs of Mexico and the United States.

599. Although according to the tariff of the United States some articles pay lower rates than those imposed on the same by the Mexican tariff, it is not so with some others. It is notable that in that country they have followed the system of protecting established industries, and that in certain cases that protection has a marked tendency to completely impede the competition of foreign manufacture.

600. For the reason that the United States has generally arranged its tariff at so much per cent. on each article, an exact comparison cannot be made, for our tariff has but few articles but what have a fixed rate, which is, undoubtedly, an advantage, as it makes the collection of duties more uniform. Notwithstanding it can be easily seen that many articles which in that country pay an import of so much per cent. on their value, bear duties much higher there than under the fixed rates imposed by the Mexican tariff, although an exact calculation cannot be made of the difference or proportion between the duties of the one and the other tariff.

601. Another advantage not to be despised, which our tariff has over that of the United States is, the levying of a single duty, while in that country many articles pay two rates at the same time, one fixed on weight or measure and the other so much per cent. on their value. This system naturally makes the operation of the custom-houses difficult in despatching the goods and the liquidation of their duties, and it establishes besides a prejudicial inequality in trade, through the diverse estimates made of the value of the goods.

602. On some occasions it has been asserted by persons who knew little about our laws in reference to foreign commerce, that these are very complicated and need therefore to be profoundly studied. The examination and comparison which have been made in this Department, of the existing tariff and those of other nations, have, however, demonstrated, that ours, in spite of the various defects it suffers, and which make a radical reform necessary, may be considered less complicated than those of other nations.

603. The nomenclature of the United States import tariff contains more than 2,000 articles, and of them 1,824 are rated at so much per cent. on their respective values. The tariffs of other nations have also a very extensive nomenclature, and in some of them the system of levying the duties at so much per cent. on the value of foreign goods has been adopted, and also of establishing differences between the classes or kinds of merchandise and of fixing the legal appraisement according to their prices at different times. It can be seen, then, that the system observed by Mexico, instead of being called complicated, may on the contrary be considered as clearer and simpler.

604. While our tariff establishes, besides import duties, only tonnage, light-house anchorage and pilot dues, that of the United States contains a long list of different dues, resulting from various custom-house regulations; another list equally extensive for the custom-houses of its northern, north-east and north-west frontiers; and by these lists it can be seen that the despatching of goods in the custom-houses of that country is more complicated than in those of Mexico, as well for the captains of vessels as for the consignees of merchandise.

605. The following comparative statement of the duties imposed on certain kinds of goods by the Mexican and United States tariffs demonstrate that the duties imposed by our tariff are not so exaggerated, or at least it is not ours that levies the highest duties on those goods.

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- 597. It is not the high duties that have impeded the importation of some North American goods into Mexico.
 - 598. It is proper to make a comparison between the rates of certain articles in the tariffs of both nations
 - 599. In the United States tariff some articles are higher and some lower than in that of Mexico.
 - 600. Many articles pay more, according to the United States tariff, although an exact comparison cannot be made.
 - 601. The system adopted by the United States makes the operations of the custom-houses difficult.
 - 602. The Mexican tariff is less complicated than those of other nations.
 - 603. The system adopted by Mexico for the rates of the tariff is clearer and simpler.
 - 604. The United States tariff contains a long list of dues resulting from certain custom-house regulations.
 - 605. Comparative statement of the duties imposed on certain goods by the United States and Mexican tariffs.

Comparative Statement of some rates of the Mexican tariff with the duties of the same articles pay according to the tariff of the United States of America.

	Rates according to the Mexican tariff of Jan- uary 1st, 1872, and later regulations.	Equivalents of the rates of the import tariff of the United States.
Acetates:		
Of Ammoniac	Kilogram, nett 0 15	0 55 ⁰⁰
“ Barytes	“ 0 15	0 55 ⁰⁰
“ Copper	“ 0 15	0 22 ⁰⁸
“ Iron	“ 0 15	0 55 ⁰⁰
“ White lead	“ 0 15	0 22 ⁰⁸
“ Magnesia	“ 0 15	1 10 ¹⁸
“ Potassa	“ 0 15	0 55 ⁰⁸
“ Soda	“ 0 15	0 55 ⁰⁸
“ Zinc	“ 0 15	0 55 ⁰⁸
Almonds in shell	“ 0 10	0 13 ⁸²
“ shelled	“ 0 20	0 22 ⁰⁸
Playing cards, common	Kilogram, gross 12 00	36 00
“ “ fine	“ “ 12 00	50 40
Silk Cravats	Kilogram, nett. \$18 00	60 per cent.
Gold jewelry with precious stones	13 per cent.	25 per cent.
Iron water pipes	Free.	
	Kilogram	\$0 02 ⁷⁶
Iron cauldrons	Free.	
	“	00 03 ⁸¹
Iron anchors	Free.	
	“	00 04 ⁰⁰
Iron anvils	Free.	
	“	00 05 ⁶¹
Cast iron gas tubing	Free.	
	“	00 03 ⁸¹
Forged iron gas tubing	Free.	
	“	00 07 ⁷¹
Iron screws, less than 2 in.	“ 00 19	00 24 ⁹⁴
Railroad spikes	Free.	
	“	00 05 ⁶¹
Rails for Railroads	Free.	
	“	00 05 ⁶¹
	“	00 22 ⁰⁸
Liquorice paste	“ 00 20	
<i>Brandies:</i>		
Gin in bottles	“ 00 48	00 58 ⁷⁶
“ in barrels	“ 00 38	00 58 ⁷⁶
Rum, arrak and kirsh, in bottles	“ 00 57	00 58 ⁷⁶
“ “ “ in barrels	“ 00 48	00 58 ⁷⁶
Whiskey, in bottles	“ 00 38	00 58 ⁷⁶
“ in barrels	“ 00 33	00 58 ⁷⁶
Brandy, grape or cane in bottles	“ 00 38	00 58 ⁷⁶
“ “ in barrels	“ 00 33	00 58 ⁷⁶
Liquors, in bottles	“ 00 23	00 58 ⁷⁶
<i>Wine in barrels:</i>		
White, 2d class	“ 00 17	00 17 ⁶³
“ 1st class	“ 00 17	00 29 ³⁸
Red 2d class	“ 00 10	00 17 ⁶³
“ 1st class	“ 00 10	00 29 ³⁸
<i>Wine in bottles:</i>		
Champagne	“ 00 23	
in $\frac{1}{4}$ bottles	Dozen.	1 50
in $\frac{1}{2}$ “	“	3 00
whole “	“	6 00
in larger bottles, on the excess, gal.		2 00

Note.—Other wines in bottles pay, according to the United States tariff, the same rates as the wines in barrel. All the brandies, liquors and wines in bottles pay, according to the same tariff, an additional duty of 3 cents per bottle.

		Rates according to the Mexican tariff of January 1st, 1872, and subsequent regulations.	Equivalents of the rates of the tariff of the United States of America.
Nutmeg.....	Kilogram	0 20	0 44 ⁰⁷
Morphine and its salts.....	"	10 00	35 26
Olive oil, in flasks or bottles.....	"	0 19	0 27 ⁵⁴
" jars or tins.....	"	0 14	0 27 ⁵⁴
Opium.....	"	2 00	2 20 ⁸⁸
" extract.....	"	3 00	13 22 ¹⁸
Plums, dried.....	"	0 05	0 05 ⁵¹
Saltpetre, crude.....	"	Free	0 02 ⁹⁰
" refined.....	"	Free	0 04 ⁴⁰
Railroad rails, iron.....	"	Free	0 01 ⁵⁴
" iron and steel.....	"	Free	0 02 ⁹⁰
" steel.....	"	Free	0 02 ⁷⁵
Strychnine.....	"	12 00	35 26
" salts of.....	"	12 00	52 88
Nuts.....	"	0 05	0 66 ⁶¹
Copper, sulphate of.....	"	Free	0 08 ⁸¹
Shingles.....	per 1,000	Free	0 15
Lumber for building.....	per 1,000 feet	Free	1 00

Note.—Lumber other than common bears various much higher rates.

606. As has already been said, an exact comparison cannot be made regarding many other articles, for the reason of their being quoted in the United States tariff at so much per cent. on their value; but there is no doubt that many of them bear rates much higher in the United States than in Mexico.

607. Among the articles which, according to the United States tariff, pay two rates at the same time, one on so much per cent. of its value, and the other fixed on its weight or measure, the following are burthened with higher rates there than in Mexico:

		UNITED STATES TARIFF.			MEXICAN TARIFF.	
		Fixed rates.	Add. rates at so much per cent.			
Buttons of wool or wool covered.....	pound.	\$0 05	50	Kilo. gross.	\$0 29	
Segars, besides revenue stamps, gross weight.....	"	2 50	25	" nett.	4 90	
Cigarettes " " " ".....	"	2 50	25	" "	1 25	
Aniline.....	"	0 50	35	" "	0 15	
Cotton thread on reels of 300 yards.....	dozen.	0 18	35	dozen.	0 14	
Plain woolen flannel.....	pound.	0 50	35	Sqr. metre.	0 22	
Mining powder.....	"	0 06	20	"	Free	
Sewing machine needles.....	per 1,000	1 00	35	"	Free	
Wooden pencils of lead or chalk.....	gross.	0 50	30	Kilo. gross.	0 19	
Steel pens.....	"	0 10	25	"	0 86	
Sulphur.....	ton	20 00	15	"	Free	
Cologne and lavender water.....	gallon	3 00	50	Kilo. nett	0 50	
Toilet vinegar.....	"	3 00	50	"	0 50	
Varnish.....	"	0 50	20 to 25	"	0 16	
Telegraph wire.....	pound	0 02	15	"	Free	
Wool in the fleece.....	"	0 10	11	"	0 12	

F. Articles of Mexican production burdened with heavy import duties in the United States.

608. If the United States should consider as an obstacle to the development of its commerce with Mexico the fact that some articles of North American production, such as hams, cut-nails, etc., are burdened in Mexico

606. On many other articles the rates of the United States tariff are higher than in that of Mexico.

607. Comparison of the rates of some articles which in the United States pay additional duties.

608. Mexico has reason to consider the import duties on some of its products as prohibitive.

by relatively high duties, Mexico could allege, in its turn, the same reasons to consider as an obstacle to the development of its commerce with the United States the rates imposed by the North American tariff on certain articles of Mexican production.

609. We insert the following list of articles of national production which, by reason of the import duties they have to pay in the United States, are of no use to Mexico in its trade with that nation:

List of articles of Mexican production bearing import duties in the United States.

Sugar cane brandy.....	gallon.	\$2 00	
Mezcal ".....	"	2 00	
Sugar, white refined.....	pound	0 04	
" medium classes.....	"	0 03 $\frac{1}{4}$	
		0 02 $\frac{3}{4}$	
		0 02 $\frac{1}{4}$	
		0 02	
" Muscavado....	"	0 01 $\frac{3}{4}$	
Animals, cattle.....			20 per cent.
Dried beef.....	pound	0 01	
Salt beef.....	"	0 01	
Barley.....	per 48 lbs.	0 15	
Fresh vegetables.....			10 per cent.
Copper.....	pound	0 03	
		0 02	
Sundries, bags.....	"	0 03	
		0 04	
		0 05	
Chocolate.....	"		35 per cent.
Sweetmeats.....			35 "
Wax and lucifer matches.....			10 "
Fresh fruits.....			20 "
Dried ".....			10 "
Flour.....			20 "
Soap.....	pound	0 01 @ 30	"
Wool in fleece (with 10 per cent. discount).....	"	0 10 @ 11	"
Crockery.....			25 "
Timber for building.....	per 1,000 ft	1 00	
		1 50	
Indian corn.....	per 56 lbs.	0 10	
Lard.....	pound	0 02	
Marble.....	cubic foot	1 00 & 25	per cent.
Molasses.....	pound	0 01 $\frac{1}{2}$	
Honey.....	gallon	0 20	
Potatoes.....	per 60 lbs.	0 15	
Pickled fish.....	barrel	1 50	
Salt ".....	"	2 00	
Palm mats.....	per 56 lbs	0 10	
Tecali stone.....	per cubic foot	0 50 & 20	per cent.
Stone filters.....			20 "
Panocha.....	pound	0 01 $\frac{3}{4}$	
Lead.....	"	0 02	
Cheese.....	"	0 04	
Rope.....			30 per cent.
Salt.....	per 100 lbs.	0 08	
Tallow.....	pound	0 01	
Riding saddles.....			35 per cent.
Silk hats.....			40 "
Straw hats.....			40 "
Manufactured tobacco.....	pound	2 50 & 25	per cent.
Leaf ".....	"	0 35	"
Wheat.....	per 60 lbs	0 02	
Sole leather.....			25 per cent.

610. The preceding list demonstrates that there are articles of Mexican production, and principal among them brandies, sugar, and tobacco, that could be sent to the United States in considerable quantities if they did not have to pay very high and almost prohibitive duties.

611. Although generally the United States tariff is more liberal than our own, for it imposes lower rates on the majority of articles, and contains, besides, a larger number of exemptions, the fact ought not, however, to be ignored that in comparing their tariff with those of other nations with which Mexico trades, it is proved that, far from being able to produce the articles of our consumption at prices sufficiently low to compete with European nations, there exists in that country a marked tendency to protect, by means of high rates, their national production or manufacture, and to pay much more attention to the interior consumption of those manufactures than to what they might realize abroad if the protection were less efficacious, and industry should be allowed to take a more natural development.

612. Mexico might, then, consider, with as much or more reason than the United States, that some of the rates of the North American tariff constitute an obstacle to the increase of commerce between the two countries; and can sustain, by the very testimony of the United States Representative in Mexico, that of the governments of the two Republics, that of Mexico is the one that has done most to promote the development of trade. In fact, the Honorable John W. Foster said, on this point, in his speech before the Chamber of Commerce of New Orleans, November 18th, 1875, already mentioned, as follows:

" . . . Second.—Very little has the United States done to promote this trade.

"I believe I am exact when I say that Congress only once, and that more than 15 years ago, made an appropriation to establish communication or to help those who had been sufficiently enterprising to start lines of steamers between our ports and those of Mexico; and I doubt if that at any time, when paying attention to the tariff on importations, the idea of favoring the products of that neighboring sister Republic has been taken into consideration; though it is true that we have given large subsidies to other lines of steamers to carry on trade with the other side of the globe, in China, Japan, beyond Ecuador, and in Brazil; we have entered into a reciprocity treaty with our monarchical neighbors of Canada; we are very conveniently occupying ourselves with another, and have received with distinguished honors the King of 60,000 subjects in some small islands 2,000 miles away from our most distant Pacific coast, entering into a liberal reciprocity treaty with him.

"Let us compare this conduct with that of the Mexican Government. There are now seven lines of steamers visiting Mexican ports and coming from foreign countries; five on the Gulf (without counting the New York and New Orleans lines), and two on the Pacific coast. Of these seven lines, three are subsidized by the Mexican Government, and the three are American lines, that of New York, of New Orleans, and that between Panama and San Francisco, the Pacific Mail, while the English and French Governments each subsidize a line from their respective countries.

"If it were not for the subsidy which the American steamers are receiving from the impoverished treasury of Mexico, none of these lines could be sustained."

2. IMPORTATION TO MEXICO OF MACHINERY AND TOOLS FOR AGRICULTURE AND MINING.

613. The Report states, in reference to this point, that: "Of the articles duty free, like steam engines and machinery intended especially for mining operations, and agricultural implements, a larger importation could be made of these from the United States if it were not for two reasons: the first, that in the case of machinery, the cost of transportation is so exorbitant that the demand is consequently reduced and will continue lessening until the means of communication are made easy and freights reduced; that to the railroad freights have to be added the larger expenses of interior transportation by roads, which, by reason of revolutions and an exhausted treasury, are in a state of complete abandonment; that in regard to agricultural implements, their use is hardly comprehended, and husbandmen accept them very slowly; that the instrument that was used on the plains of Asia three thousand years ago is the one generally predominating in this country; but that in time there will be a demand for modern instruments."

614. The unavoidable conclusion from these premises, in the form in which they are presented, would be that the importation of North American machinery to Mexico is of very little importance, and that it would never amount to much.

610. Mexican articles that cannot be sent to the United States by reason of the high duties they pay.

611. The protective system pursued by the United States prevents them from competing with other nations.

612. Hon. John W. Foster acknowledged on November, 1875, that Mexico had made greater efforts than the United States to promote trade.

613. Causes which, according to the opinion of the Report, impede the use of machinery in Mexico.

614. The deduction would be that the importation of machinery into Mexico never could acquire much increase.

615. Although it is true that foreign machinery has never been imported into Mexico to the degree that was to be desired, to facilitate the development of its elements of wealth, it is a fact, however, that the importation of foreign machinery has increased considerably in these later years. For a long time the only machinery coming to Mexico was from England. Since a few years ago North American machinery has begun to be imported in large quantities, as well for mines as for agriculture and other uses, and it can be said that the latter is now obtaining the monopoly of this market. The large quantity, relatively, of foreign machinery introduced into Mexico can easily be appreciated by simply comparing its value with that of foreign dutiable goods imported into the country. In fact, of \$20,000,000, to which, approximately, the factory value of foreign goods annually imported to Mexico amounts to, according to the commercial estimates made by the maritime and frontier custom-houses (the larger part of which carry a duty which amounts on the average to more than 55 per cent. of their market value), a little less than \$3,000,000 is the invoice value of articles that bear no duty, and a large part of this is machinery coming from the United States.

616. The first reason expressed by the Report, on examining the difficulties presented to the importation of machinery to Mexico on a large scale, is well founded, and demonstrates the exactitude of what has already been said in this exposition, that Mexico cannot attain to the future to which nature seems to have destined her without the construction of railways to facilitate the transportation of machinery, tools and necessary effects for increasing production, to the productive centres of the country, and for the transportation of its products to foreign markets.

617. The high rate of interior freights impedes, in fact, as general a use as could be desired of the heavy and costly machinery that is needed for the better development of the country's elements of wealth; but this circumstance has not impeded, so far, the setting up of machinery in certain districts, both mining and agricultural, which, although in the interior of the country, are under favorable conditions to be worked.

618. In various mineral districts steam engines of large power are found for pumping out water and otherwise facilitating the working of the mines and elimination of their metals; in many of the districts of the "*hot lands*" there are also steam engines and the most modern complicated and costly appliances for the elaboration of sugar, without the high rate of land freights being an absolute impediment to the introduction of this machinery.

619. This difficulty disappears almost entirely on the coasts of Mexico, and for this reason it is observed that in the State of Yucatan, which is generally level, there is a larger amount of machinery in proportion than in other places in the country. It can be asserted that in the State of Yucatan alone there exists a quarter part of all the steam machinery in the Republic, which demonstrates the fact that when the want of means of communication does not stand in the way, modern instruments and machines are generally used.

620. On the other hand, the introduction of machinery into Mexico, and its application to various existing industries, does not meet with any more resistance here than it has met with in other countries. Routine is a great drawback to the introduction of new system; the few shops there are in the country for repairing machinery and the making of worn-out or broken parts, and the consequent suspension of the operation of machines when some one of its principal parts are lacking, are, without doubt, one of the greatest difficulties to the general use of machinery in Mexico; but these difficulties have been experienced everywhere, and have been conquered in the course of time. The very nations that have been the cradle of the most notable inventions of this kind have not shown a general acceptance of their own inventions, until after the lapse of a more or less extensive period of time.

621. The prospect for the introduction of machinery into Mexico is therefore of some importance, and whilst its present importation is worth considering, it will assuredly be incomparably larger when the many avenues of wealth in this country have been brought to the degree of development of which they are capable.

622. In regard to the instruments of agriculture the Report falls into an error, when it states that their use is hardly understood, and is accepted very slowly, and that the instrument that was used on the plains of Asia three thousand years ago, is the one generally obtaining in the agricultural labor of this nation.

615. Proportion of goods imported free into Mexico from 1877 to 1878 to the total importation.

616. Need of railways in Mexico for the exportation of products and transportation of machinery.

617. In spite of the high freights, heavy and costly machinery has been set up in Mexico.

618. On mining as well as in agriculture, heavy and costly machinery is employed.

619. In the States of the coast heavy machinery is more used on account of low freights.

620. Other difficulties which the introduction of machinery has met with in Mexico.

621. The importation of machinery into Mexico will increase with the development of the elements of wealth of the country.

622. Agricultural machines and implements are not unknown in Mexico.

623. There exist in Mexico not a few, but many, agricultural enterprises which use implements of the most recent invention and use in Europe and the United States. On the estate of San Antonio, very near this capital, hardly three leagues distant, agricultural operations may be seen, conducted on the most improved system, and with the most modern machinery, and there are many other estates like this in different parts of the country. There are besides many sugar estates, in which, as has already been stated, the most intricate and modern appliances are used for all the operations of cane culture, and for refining of sugar and brandy. Foreign plows, harrows, rakes, sowers, reapers, winnowers, and all other appliances and instruments, such as hoes, shovels, cutlasses, etc., of the latest invention of Europe and the United States are successfully used on those estates which may be considered the most advanced. Next in order are the second-class estates, which, by reason of their small capital, as well as their limited business, and their small extent of land, cannot use the costly and complicated machinery found on first-class estates; but they do, however, use modern implements, such as plows, rakes, etc., many of which are manufactured in this country. The poorer class of Mexico, formed of Indians, which in some parts have no lands of their own, but sow on lands belonging to the commons, and limit themselves to sowing what is absolutely necessary for their subsistence; this class also use plows, some of which are of an antique pattern, and are, undoubtedly, those to which the Report refers when it says they are the same used on the plains of Asia three thousand years ago. Without examining the truth of the classification, it is proper to bear in mind that those sowings made on a small scale do not form what is called the agricultural industry of the country, for they are personal sowings, so to speak, which have no further object than the production of just enough for the support of the laborer's family.

624. In regard to this subject, it must also be borne in mind that peculiar conditions of land require methods especially adapted to them, and it frequently happens that agricultural implements which give a very good result in certain localities, by reason of the circumstances of the soil, do not succeed as well elsewhere. This occasions frequently that modern appliances do not in every place bring about the results that are described, and, without fixing upon the cause of this, causes them sometimes to be discarded as useless. It is necessary, therefore, that the peculiarities of every locality should be studied, and that an endeavor should be made to adopt the appliances designed for this market, to such peculiarities, all of which requires study and practical application on the part of those who import them. It is quite certain that after such study there will be no danger of any want of success regarding agricultural implements manufactured for the Mexican market.

625. The importation into Mexico of agricultural implements and machinery that are exempt from duty is undoubtedly one of the branches of commerce having a larger opening for the future, and of which the manufacturers of the United States might avail themselves in case a larger development of the elements of wealth of this country and of commerce between the two nations.

626. The Mexicans are not slower than the inhabitants of other countries in adopting the use of implements and machinery to shorten and lessen labor. It can be assured, for example, there is not a family in Mexico, whose circumstances permit them the expense of a sewing machine, which does not use one. The writing machine has just been invented, and it is already in use in Mexico; and many of the most modern and most intricate appliances of industry and agriculture have been introduced here a very short time after their invention, and almost simultaneously with their use in some countries more advanced in civilization.

627. The Hon. John W. Foster appeared to attach the exemption of duty on machinery, etc., the importance it bears to the commerce of the United States, when, in a speech he delivered before the New Orleans Chamber of Commerce, November 18th, 1875, he said in reference thereto as follows:

"The high rates of tariffs of both countries are a great obstacle to the development of trade, especially as relates to our manufactures and some of our natural productions; but the best of articles admitted duty free into Mexico affords us some opportunities which have been made use of to some degree, and from which larger advantage can yet be realized. Permit me to mention some of the articles on the free list: agricultural implements and machinery of all kinds, plants and seeds, books, ink and printing materials, corn, corn meal, oats and hay, machines and machinery of every branch of industry, forming a long and liberal list; mining implements and machinery, powder, etc.; railway supplies, locomotives, cars, etc.; vessels of all kinds and materials pertaining to them, masts and ship timber, etc."

623. Agricultural estates in Mexico which use modern and costly machinery.

624. The peculiar conditions of each soil require the use of special implements.

625. The free importation of machinery into Mexico ought to be advantageous to North American manufacturers.

626. Mexicans do not oppose the use of machines and instruments for reducing the cost of labor.

627. Opinions of Mr. Foster's speech in New Orleans on the importance of the exemption of duty on machinery.

3. *Want of Ports of Deposit in Mexico.*

628. The Report goes on to say that "the system of ports of deposit has not yet been adopted in Mexico, and notwithstanding that this city is the centre of importation for the middle country, and is in railway communication with the port, no arrangement has been made by which goods may be deposited in the capital, the duty paid and despatch done there," and he dwells on some other considerations on this matter which will be spoken of further on.

629. The preceding conceptions embrace several important questions. At this point we shall only examine what refers to the lack of ports of deposit in Mexico, and the terms for payment of import duties, leaving the rest to be concluded in its proper place in this exposition.

A. Ports of Deposit.

630. The governing powers of Mexico cannot but recognize in principle the convenience of ports of deposit, because it is clear that to the degree that more privileges are granted to commerce the larger will be the production of the country, and the aggregate welfare of the inhabitants of the Republic. It is to be desired that this improvement should be established in Mexico, as it is the wish that our country should adopt everything else that may contribute to the welfare and prosperity of the nation. But in practice it has been found that the establishment of ports of deposit would bring with it grave dangers—considered greater than the advantages flowing from it, and therefore the way has not been open to institute them.

a. Advantages of Ports of Deposit.

631. There are two quite different things concerning ports of deposit—the terms for payment of import duties, and the power of re-exporting the goods without paying other than warehouse duties.

632. The first of these objects can be obtained without the need of ports of deposit, by simply giving the importer time for the payment of the duties to which he is liable, requiring, meanwhile, security therefor. The second, which is free re-exportation, is the principal object for which ports of deposit are instituted, and which properly constitutes them.

633. Without doubt ports of deposit may bring about a prodigious development of commerce in some places possessed of peculiarly favorable circumstances for the trade of the world; but they cannot *per se* be the making of the ports in which they are established. If the inter-oceanic railway or canal were constructed, Tehauntepec and Minatitlan might come to rival some of the most flourishing cities of Mexico, upon being declared ports of deposit; but in the present state of both of those towns and of the entire Republic, it is not probable that creating ports of deposit would bring about the prosperity of the places where they might be established. To make our ports, in any real sense, ports of deposit, it would be necessary that they all should have ample and secure harbors, wharves sufficient for vessels to come alongside of, as they arrive and discharge, without delay, and that our ports should communicate with each other by comparatively short and direct inter-oceanic railway communication, with low rates of freight. Until this is realized it cannot be expected that making our ports into places of deposit would be a measure which would alter the aspect of them or of the nation.

634. If, then, it is certain that they would not produce the advantages expected of them, and if at the same time there exists a certainty that they would occasion grave evils, it seems the part of prudence to defer their establishment until such time as it would produce fewer inconveniences than at the present time.

b. Inconveniences of Ports of Deposit.

635. The inconveniences of ports of deposit are also of two kinds—the first, because being equivalent to granting time, the Treasury would immediately be obliged to wait in almost all cases the year granted the merchants for keeping their goods on deposit, to be able to realize the duty on them, or to enter into arrangements for the anticipated payment of duty from the importers, and both extremes would be equally ruinous.

628. Considerations of the Report on there being no ports of deposit in Mexico.

629. The lack of ports of deposit and time for payment of import duties.

630. Ports of deposit cannot yet be established in Mexico on account of the grave evils they would bring with them.

631. Ports of deposit have two advantages for commerce.

632. The advantage of time for the payment of duties can be granted without the need of deposit.

633. The advantage of re-exportation would be dangerous in the present condition of the country.

634. The establishment of ports of deposit will have to be deferred.

635. In the present state of the Treasury long time cannot be granted for the payment of import duties.

636. If there were not constant danger of the perturbation of public peace; if the Treasury were not always threatened with all the dangers and evils of a deficit, and if the Government did not have to live from day to day without being able to use in any direction the resource of credit, the Executive would be the first to propose the granting of time for the payment of import duties as a liberal and beneficial measure for the country; but in the necessity of sacrificing the lesser interest to the greater, it has not been deemed prudent to grant this privilege, which only in countries enjoying complete security and welfare in public revenue can it be productive of good results.

637. The second inconvenience of ports of deposit, greater even than the first, consists in the great facilities it would afford for contraband, in positive damage to the Treasury and legitimate trade. The goods deposited could be re-shipped, and in such case would be free from import duty. To prove their re-shipment, a certificate from the Mexican consul or consul of any friendly nation residing in the port to which the goods had been carried, stating their importation thereat, would have to be considered sufficient; and this certificate would be presented, for example, six months after the re-shipment was asked, while it would be feasible to extend this time under various reasons of apparently easy justification.

638. As Mexico has at the present no consuls except in a few of the commercial centres of the United States and in some few ports of South America, and as it is not probable that it will have them for some time in other commercial cities of the world, by reason of the suspension of official relations with various European nations, such justification would come to depend upon the integrity or efficacy of foreign agents. The only effective guarantee that there could be in this case is the morality of the employees of our custom-houses, and the temptations would be always very great for the commission of fraud.

639. It is easy to imagine to what a state the custom-house revenues would be reduced, which are the principal resource the Government counts upon for its existence, the day that foreign merchandise could be consumed in the country without paying import duty, under the pretext of having been re-exported.

640. Ports of deposit have, besides, another inconvenience which, though of little importance, cannot be passed unnoticed in our circumstances; to wit, the necessity of paying out large expenditures in the construction of warehouses, with all their requirements, in all our custom-houses; for, although many of them more or less adequate, they are not sufficient to contain all the goods that can be imported in a year. A considerable number of employees would also have to be created to take care of such warehouses.

c. Ports of Deposit have already been tried in Mexico without success.

641. Ports of deposit are not a novelty amongst us. They have already in other times been tried, and the best proof that can be presented that they have not resulted the same as in other countries, is that they could not be preserved as a useless institution, and were at last abolished.

642. The decree of April 11th, 1837, established two ports of deposit—one on the Pacific and the other on the Gulf of Mexico. For this the two ports of largest importance at that time were designated, Vera Cruz and San Blas. No record has remained of the degree of prosperity attained by those ports during the time they were places of deposit. The danger of fraud in re-exportation presented itself then, as now, with probabilities so large that in the decree of April 11th, 1837, the free exportation of deposited goods was expressly prohibited. This decree said very judiciously: "Considering that from the geographical situation of the Republic, the re-exportation of goods once introduced is not economical, and that permitting re-shipment without paying duty would most likely serve only for the perpetration of fraud, to the prejudice of the Treasury and of legitimate commerce, etc." In exchange double times of payment were granted; that of deposit, properly so-called, which was one year (Art. 5th), and that which the ruling tariff at that time granted after the exit of goods from the warehouse. The law of February 28th, 1843, established a port of deposit in Acapulco, on basis identical with the law of April

636. The Government is under necessity of counting upon effective resources, and should not be placed in a position in which they might be sacrificed.

637. Facility that ports of deposit would afford for smuggling.

638. The justification of re-shipment and re-exportation would depend in many cases on the integrity of foreign agents.

639. The revenue of the custom-houses, principal resource of the Government, would diminish considerably in consequence of smuggling.

640. The necessity of expending heavy sums to construct store-houses and to sustain a considerable number of employees.

641. The ports of deposit, established at a previous time, did not prove successful and were abolished.

642. Decree of April 11th, 1837, prohibiting the free re-exportation and conceding long terms for the payment of the duties.

11th, 1837. Acapulco remained for some time as a port of deposit, and neither have we any data of prosperity attained by that port during the time it enjoyed those immunities.

B. Terms for Payment of Import Duties.

643. The tariffs anterior to the one now in force established a long term for the payment of import duties on foreign goods coming to Mexico, which was done for the purpose of granting privileges to foreign commerce. These terms came to extend as far as ninety days, the importing merchant took out his goods, giving security for the payment of the import dues at the expiration of the term, and disposed of them as he pleased before the payment of the duties. This system, liberal and plausible in principle, produced very bad results in Mexico, because of the peculiar circumstances of this country. On one hand the urgent need which the treasury is generally under for funds, that in order not to await the three months term of the importing merchants for the payment of their duties, these were negotiated, with a discount that amounted sometimes to as high as 25 per cent. On the other hand, the accumulation of large sums in some ports where the payments were on long terms excited the spirit of disorder and rebellion which has brought most lamentable results upon the country, and sometimes tumults were raised, with the principal object of gaining possession of those resources.

644. A sad experience, then, determined the Mexican Government, to collect all duties immediately on importation, which was done by the decree of August 18th, 1860, and since then this system has been followed. In the present tariff up to 25 days are granted for the liquidation of duties; if, before satisfying them, the merchant wishes to take out his goods from the warehouses of the custom-house, he must secure their amount to the satisfaction of the Administrator of that office, which is certainly more liberal than the system followed in the custom-houses of the United States. It has been impossible to establish ports of deposit in this country, or to even give importers the right to leave their goods on deposit until taken out for sale with duties unpaid until such time, for the motives we have just set forth.

645. In fact, when there had accumulated in a custom-house considerable quantities of merchandise, there was a great temptation for uneasy spirits to subvert order there, for the purpose of getting hold of the duties caused by those goods, even though the subversive movement should have no political design, but only the object of collecting those duties to protect the flight of their leaders in case the movement should not be seconded. This, which is only one of the perils which the port of deposit system would present, has, up to the present time, prevented its being established in this country. It is to be hoped that, public peace becoming definitely established, and our institutions assured, the custom-house deposit system may be adopted along with many other measures that bring privileges to commerce and result in growth and prosperity.

4. LOCAL DUTIES IN MEXICO ON FOREIGN GOODS.

646. The Report states that there is in this country a bad system of collecting municipal and State duties on foreign goods, which goods, after passing through the custom-house and complying with the tariff, are burdened with another import for the benefit of the municipality on leaving Vera Cruz; and when carried into another State they have to pay there still another additional duty. It states: "As this import is decreed by the State Legislatures, it is different in each State; for, in the Federal District, that is, in this city, it is only two per cent. on the import duties; but in the adjoining State of Hidalgo it is 12½ per cent. on the same, and in some other States up to 25 per cent." The Report adds that "this system of interior custom-houses, besides being pecuniarily burdensome, is exceedingly annoying to the merchant, as in every point the goods have to pass through the local custom-house, be unpacked and examined, pay costs of carriage, &c.; that this is an evil the most intelligent public men of the country recognize and confess; that the Federal Constitution expressly prohibits this system, and the Supreme Court has so declared; but 'necessity knows no law,' and therefore the Supreme Court does not put itself about much to attend to what political economy advises and commerce requires; that the States and municipalities are always in great difficulties to raise funds sufficient to cover ordinary expenses, and in trying to solve this problem they find that foreign goods are those on which taxes can be best imposed, and hence it is that the State Legislatures are in discord with the Constitution and the Supreme Court of the country."

647. The various questions presented in the Report in reference to municipal and local duties collected in Mexico on foreign merchandise, and to decisions of the Supreme Court of Justice on the matter, will be briefly considered.

643. Unhappy consequences of the terms granted by preceding tariffs for the payment of import duties.

644. Circumstances obliged the Government to decree the cash payment of duties, and to grant 25 days for deposit in warehouses.

645. The accumulation of goods in warehouses would cause grave dangers.

646. Conceptions of the Report on municipal and local duties levied on foreign goods in Mexico.

647. The various questions which the Report presents in reference to local duties will be briefly considered.

A. Municipal Duties Levied on Foreign Goods.

648. There is nothing in this Department by which it appears that the Council of Vera Cruz collects a municipal duty on foreign merchandise brought into that port. When there prevailed in Mexico the system of collecting an import duty on a given quota, and on this various others under the name of additional duties, then figured among these the municipal duty which in every port was collected by the custom-house, and delivered to the respective municipality. This duty, at the issue of the tariff of January 1st, 1872, represented 3 per cent. on the import quota of the tariff of January 31st, 1856. All additional duties being embodied in the tariff now extant, the municipal was also, and its amount is now a part of the present import duty. At the end of each month the custom-house reports to the respective municipal Treasury 1.37 per cent. of the import dues taken in during the month, which sum represents the municipal duty according to the tariff in force.

649. The recovery of municipal dues on the basis of the tariff does not represent, therefore, an additional duty, nor a levy on the tariff, nor is it an impediment to commerce, for it is made by the maritime custom-house upon realizing the recovery of import duties. If the Council of Vera Cruz collects any other duty, it is done illegally, for it is unauthorized by Congress, and moreover there is nothing by which it appears in this Department that such levy is made.

B. Local Duties Levied by States on Foreign Goods.

650. The first division of the 112th article of the Mexican constitution determines that the States cannot, without consent of the Congress of the Union, incur importations or exportations, and this provision is similar to that contained in the 20th paragraph of the 10th section of article 1st of the Constitution of the United States. Notwithstanding that some States have imposed duties, called duties of consumption on foreign goods, establishing various quotas based on the duties of import, and without having had the consent of Congress therefor. Such duties are, therefore, recovered illegally, and the recourse of appeal provided in articles 101 and 102 of the Federal Constitution is in order.

651. It must be noted that not all the States levy duties of consumption on foreign goods. In regard to the amount of duty recovered by some States it is proper to bear in mind that according to the data existing in the Department the rate varies from two to sixteen per cent. on the duties of importation, excepting only foreign liquors, which in some States pay 20 per cent. We have no notice that any State recovers 25 per cent., as the Report states.

652. The State of Hidalgo levies 10 per cent. on foreign goods consumed in its territory, and not 12½ per cent., as the Report says; and only on liquors does it collect 20 per cent., although on these quotas there is the federal tax to pay, which amounts to the quarter part of the principal impost.

653. It ought to be noted also that such impost does not bear alone on foreign goods, but that national goods are subjected to imposts, which in some States amount to 18 per cent. on their value.

654. But in all cases these duties are not imposed for the mere transit of goods through the States, but for the fact of being consumed within the State itself. The case, therefore, will not occur, as the terms expressed in the Report might lead one to think, that the same goods pay twice over the duties of consumption.

655. In regard to the duties of consumption paid in the federal district, to which also the Report refers, they will be specially spoken of further on.

c. Decisions of the Supreme Court on Local Duties. Mode of avoiding their Payment.

656. The levying of local duties on foreign goods being illegal, where the State authorities have not the previous permission of Congress, which is generally the case, the recourse of appeal granted by Arts. 101 and 102 of the constitution is open, and by virtue thereof the payment of the said duties can be avoided.

657. In several cases the recourse has been instituted by merchants interested, and the Supreme Court, in almost every case, has granted the relief, a fact which the Report recognizes and confirms.

648. The municipal duty is embodied in the rate of import according to the tariff in force.

649. The recovery of municipal duty does not occasion any incumbrance or impediment to the importer.

650. The Mexican Constitution authorizes the States to incur importations, with the consent of the General Congress.

651. Not all the States levy duties of consumption, and these do not go beyond 10 per cent. on importation.

652. The State of Hidalgo recovers 10 per cent. duty of consumption and 20 per cent. on liquors.

653. The States impose heavier duties on national goods.

654. Duties of consumption are not caused by the passing through of goods.

655. Duties on consumption in the Federal District will be spoken of afterwards.

656. Means of avoiding the payment of local duties by means of suit of relief.

657. The Supreme Court has granted relief from payment of local duties when application has been made.

658. The merchant, then, who objects to pay the duty of consumption, levied in a State without the consent of Congress, can apply to the Judicial Power, enter his suit for relief, and he will probably be protected in his rights. This has frequently been done, and therefore the States are beginning to ask the permission of Congress to levy duties of consumption. A short time since the State of Sinaloa petitioned for it, and it was granted by the decree of December 16th, 1878.

5. EXPENSES IN MEXICO ON TRANSPORTATION OF NORTH AMERICAN GOODS TO PLACE OF CONSUMPTION.

659. For the purpose of demonstrating the great incumbrances that North American goods sent to Mexico suffer, the Report sets forth two accounts, the first that of a barrel of sugar-cured hams with a gross weight of 325 lbs. English, and the second that of ten kegs of $4\frac{1}{2}$ inch cut nails of 1,060 lbs. gross weight. These two articles are among those bearing the heaviest duties in the Mexican tariff, compared with their value in the United States, and this causes a considerable increase of their price in Mexico. If, instead of selecting articles rated highest in the Mexican tariff, the account of an article, free of duty, like machinery, for example, had been presented, the showing would have been quite different. It appears that it would have been proper, at least, to have set forth along with the account of an article bearing a high duty the account of one admitted free, that the result might be seen in both cases, and a juster idea conveyed of the Mexican tariff therefrom.

660. As the aggregate expense of the importation of articles to Mexico appear, according to the Report, to have been calculated on the basis of that of hams and cut nails, it results that United States merchants who naturally desire to know what articles they can import to advantage, in view of the prices current they command here, cannot see from this manner of presenting the tariff question anything but heavy expenses, that determine them from attempting any operations in Mexico.

661. In the accounts set forth in the Report there are some errors; but even if they were exact, it could be proved that in spite of the high figure of expense attached to the importation of hams and nails, the operation involves no loss, but, on the contrary, brought a profit which amply repays the importer for his trouble.

A. Rectifications of the Calculations inserted in the Report.

662. On the duties and expenses set forth in the estimate the Report makes of the expenses of a barrel of sugar-cured hams and ten kegs of cut nails in Mexico, there are several errors which, though of little importance, it is proper to rectify.

a. Rectification of Statement on importation of Hams.

663. The expenses attaching to the sending of sugar-cured hams of 325 lbs. gross weight from New York to Mexico would be as follows:

1 barrel sugar-cured hams, gross w't 325 lbs. English, net w't 300 lbs. English, cost in New York, 300 lbs. @ 11 cents.....	\$33 00
Cartage, Consular invoice, insurance, commission and brokerage, 5 per cent.	1 65 34 65

Expense in Vera Cruz.

Freight from New York.....	\$3 25	
Primage 5 per cent.....	0 16	3 41
Import duty 136 ¹⁴⁰ kilogrammes @ 24 cts.....	32 67	
Municipal duty in Vera Cruz as per Report.....	0 84	
Landing.....	0 22	
Cartage and entry to public square.....	0 50	
Maritime brokerage 2 per cent. on \$3.25 freight.....	0 07	
Stamps for despatch and importation.....	0 50	
Cartage to railway station.....	0 50	
	\$39 21	
Commission, 2 per cent. on \$73 86....	1 47	40 68

658. The importer not wishing to pay such illegal impost must take the recourse of suit of relief.

659. Illogical manner of demonstrating that goods suffer excessive imposts on their importation to Mexico.

660. North American merchants perhaps deterred upon seeing the calculations of the Report.

661. Even if the account of cost on hams and nails were exact it does not prove that their importation is not lucrative.

662. It is proper to rectify the account of costs on hams and nails set forth in the Report.

663. Rectification of the account of cost of a barrel of ham imported from New York to Mexico.

Expense in Mexico.

Apportionment :

18 per cent. on \$34 65 New York acc't.....	6 24	
1 " " " 40 68 Vera Cruz "	0 41	
Railway freight to Mexico, 140 kilogrammes @ \$54 32 per ton.....	7 60	
Duty on consumption, 2 per cent. on \$32 67.....	0 66	
Cartage, &c.....	0 75	15 66
Total.....		90 99

664. Between this statement and that of the Report there is the small difference of \$2.20 of over calculation in the latter, it being borne in mind that the forgoing rectification includes the municipal duty which the Report assures is collected in Vera Cruz at the same rate as stated therein, from not having been able to obtain yet any exact and official data on this point. By this is to be seen the slight inaccuracy already indicated in the calculations of the Report.

b. Rectification of Statement on importation of Cut Nails.

665. The expense on 10 kegs of cut nails, 1,060 lbs. gross weight, sent from New York to Mexico, would be as follows :

10 kegs of 4½ inch cut nails, gross weight 1,060 lbs. English ; nett weight, 1,000 lbs.	
English, cost in New York 1,000 lbs. @ 2¼ cts.....	\$22 50
Expense in New York, cartage, Consular invoice, insurance, commission and brokerage, 5 per cent.....	1 13
	<u>\$23 63</u>

Expense in Vera Cruz.

Freight to Vera Cruz @ ½ct. per lb.....	\$5 30	
Primage, 5 per cent.....	0 27	
	<u>5 57</u>	
Import duty 481. ⁰⁹⁸ kilogrammes @12 cts.....	57 72	
Municipal duty in Vera Cruz, as per Report.....	2 73	
Landing.....	0 75	
Introduction from wharf.....	0 42	
Carriage to house	0 50	
Opening and closing.....	0 50	
Maritime brokerage, 2 per cent. on \$5 57 freight.....	0 11	
Stamps for despatch and importation.....	0 50	
Cartage to railway station.....	0 75	
	<u>69 55</u>	
Commission, 2 per cent. on \$93 18.....	1 86	
	<u>71 41</u>	

Expense in Mexico.

Apportionment :

18 per cent. on \$23 63, New York expenses.....	4 25	
1 " " on 71 41, Vera Cruz expenses.....	0 71	
Duty on consumption, 2 per cent. on \$57 72.....	1 16	
Railway freight 472. ²⁹¹ kilogrammes @ \$54 32 per ton.....	25 76	
Cartage, etc.....	1 25	
	<u>33 13</u>	
Total.....		\$128 17

666. Between this statement and that of the Report there is the small difference of \$13 47 of our calcula-

664. Difference between the actual cost of importation and the calculation of the Report.

665. Rectification of the account of ten kegs of cut nails imported from New York to Mexico.

666. Difference between the actual cost of importing ten kegs of nails and the calculation in the Report.

tion in the latter, notwithstanding that the municipal duty, which the Report assumes is collected in Vera Cruz, is included.

B. Mexico could present statements to show that some of its goods suffer as heavy imposts in the United States as those mentioned in the Report.

667. If it were desirable to follow the example given, undoubtedly by some merchant, of exaggerating the cost of goods, for the purpose of selling them as dear as possible, it could be shown what an enormous disproportion there is between two or three Mexican articles exported, and the duties they have to pay on their importation into the United States, proving, besides, that their importation there is impossible for the present, because the cost exceeds largely the price that can be obtained in selling. But as this is not the object of this exposition, but, on the contrary, to prove that Mexico has, without sufficient foundation, been represented as a nation with whom it is not easy to enlarge, to any important degree, the commerce between the two countries, it appears enough to manifest that any one who desires to sell merchandise in Mexico or any country must inform himself beforehand upon the following points:

- 1st. What are the articles consumed.
- 2d. What quantity is consumed of each of these articles.
- 3d. What probabilities are there, in the importation and sale of goods, of being able to compete with present importers.

668. The imposts which goods suffer on arriving at their place of consumption does not as a general rule determine whether they can or cannot be sold. If the article can be produced at a less price in the consuming district no foreign nation can compete with it, even though there should be no duty to pay; and if, on the contrary, there is a demand, high duties do not affect the importers, because they fall upon the consumer.

6. DESPATCHING OF FOREIGN GOODS IN THE CITY OF MEXICO.

669. In reference to this subject the Report states that, notwithstanding that this city is the centre of the principal wholesale trade of the central table lands of the country, and is in railway communication with its seaport, there is no provision whatever to bring the imported goods to be despatched in the custom-house of this city and pay the duties here; that since the inauguration of the railroad the Government has had the intention of adopting measures to this end, and as a preliminary step it required the railway company to build a wharf that should cost \$300,000, for the purpose of being able to transfer directly from vessels to the train goods destined for this city; but in spite of the wharf being finished more than three years ago, it has not yet come to be used, for the reason that the people of Vera Cruz (a town of 12,000 inhabitants) consider it prejudicial to their local interests; hence it is, that in order not to displease a few hundred commission merchants, stevedores and barge-men who might make that a pretext to revolt, the old system is followed, and more than half the nation and the foreign merchants have to pay them a heavy tribute; that all foreign goods have to pass through the Vera Cruz custom-house, for which only twenty-four hours is granted in which to prepare invoice and manifest, having to employ therefor a commission merchant, paying double cartage on goods and for unpacking and packing the same, and other expenses; but that this is not all, for the goods, being finally free from the clutches of the Vera Cruz custom-house and of the commission merchant, duties paid and the goods *en route* to Mexico, on arriving at this city they have to go again into the custom-house here and undergo another examination, and they have, besides, to pay the local imposts and make new expenditures for stamps, freightmen, &c.

670. The preceding estimations embrace the following questions of interest which it is proper to examine separately, reserving that relating to the iron pier built in Vera Cruz by the Mexican Railway Company, limited, to be spoken of specially afterwards.

- A. Authorization of the city of Mexico as a port of entry for goods coming by the way of Vera Cruz.*
- B. Term granted importers for making the despatch at Vera Cruz.*
- C. Examination and despatch of goods in the city of Mexico.*
- D. Cost to the city of Mexico of the despatch made in Vera Cruz.*

A. Authorization of the City of Mexico as a port of entry for Goods coming by way of Vera Cruz.

671. As soon as the work of the Mexico and Vera Cruz railway was finished the idea was had to qualify this

667. Information which every one must acquire who wishes to import merchandise into a country.

668. The imposts put upon goods do not, as a general rule, determine pro or con their salability.

669. Inconveniences, according to the report of despatching at Vera Cruz, effects imported for the capital.

670. The estimations of the Report embrace four questions of interest, which will be examined separately.

671. Memorial of February 8th, 1873, by the merchants of Mexico, soliciting the qualification of the capital for import trade of entry.

city for the import trade, and the native merchants and foreigners resident in this capital presented a memorial to the President, dated February 28th, 1873, asking that those so soliciting might be permitted to make the despatch of goods coming from Europe in this capital pay here the duties of importation, and at the same time that the law of May 31st, 1878, which imposed 6 per cent. for consumption on those goods, might be abrogated, making it to be included in the said import duties.

672. This petition was based on the representation that with the establishment of the railway the bales, boxes, &c., unloaded could arrive quickly at this market, without the delay of going through the examination and despatch at Vera Cruz; that the paying of 1 and $2\frac{1}{2}$ per cent. to the commission merchants of that place would be saved; that merchants from the interior of the country would not go to Vera Cruz to supply themselves with goods, in the case they had the opportunity of finding these on store in this city for sale; that in case of the duties being paid in this capital, the necessity of sending funds to Vera Cruz for that purpose would be saved; that there would result to the Treasury the advantage of obtaining anticipated payments of duties without prejudice, and that vigilance for the prevention of fraud could be exercised to better effect nearer the superior authorities than at the port.

673. The merchants of Vera Cruz, knowing what was being proposed by the merchants of Mexico, sent the President an exposition dated March 1st, 1873, opposing the making of the grant solicited in behalf of this capital. The exposition of the trade of Vera Cruz was based on the representation that the mercantile houses of Vera Cruz, which are sustained by commercial trade, would have to succumb; that if the labor afforded to the common people should be reduced to nothing more than the transfer of goods from the wharf to the railway it would bring misery upon the town; that the direct contact of Europe with Mexico, without the intervention of Vera Cruz houses, would involve the paralyzation of all business and commercial transactions; that the emigration of merchants and common people to the capital in quest of business to subsist, would be the destruction of Vera Cruz; that the slight economy therefrom accruing to houses in Mexico would not compensate for the general damage resulting to the interests of Vera Cruz; and that the Council of the said port would be deprived of the income which they now enjoy, by reason of the despatching of goods in that city.

674. In regard to fiscal prejudice, the said exposition set forth that the goods, being exposed to the danger of railway transit, and of accidents on the line, losses would result to the owners of goods in which the Treasury would share; that vigilance for the prevention of change or extraction of goods in transit could not be perfectly exercised; that the dispatching of goods in Mexico would raise up grave difficulties, because neither the consignees, nor the captains of vessels, nor the crews, being a hundred leagues away, could make the declarations that are frequently necessary; that the insurers of cargo would perhaps meet with difficulty in determining whether damages occurred to goods during transit by vessel or by rail; that the Government would have to employ watchmen at every station to prevent smuggling in transit; that interest in defrauding the fiscal dues would bring an element to operate even against the interests of the railway company, for very likely the throwing of trains off the track would be repeated, obliging the Government to redouble its vigilance, from the fact that the goods were representing also values of revenue, the duties being unpaid; and, lastly, that the Government would be forced later to make equal concessions to Orizaba and Jalapa for goods consigned to those places, in order not to create a partial privilege only to the merchants of Mexico, and, further on, the interior markets would have an equal right to receive their orders and pay in each locality the maritime imports.

675. On the 15th of May of the same year the Governor of Vera Cruz sent an exposition to the Council of that port, in which, referring to the reasons set forth by the merchants, petitioned the Government not to accede to the solicitations of the merchants of Mexico. The Vera Cruz State Governor took up this representation and recommended it to the General Government, almost doubting that the Executive had the faculty to declare the capital a maritime centre, to the notable injury of a portion of the Confederation, like the State of Vera Cruz, which would be ruined if it were deprived of its only element of wealth—the mercantile trade of its port.

676. On the 30th of the same month of March reports on the subject were requested from the Administrators of Vera Cruz and of the Federal District, and on the eighth of April that rendered by the Vera Cruz custom-house was sent in, opposing the project in general, and alleging the same reasons set forth by the trade of that place, although confining itself to the inquiry which the treasury and public service would suffer from an arrangement that could give no practical results, not even to the benefit of the petitioners themselves.

672. Reasons on which that solicitation is based.

673. Objections made by Vera Cruz merchants to the proposed qualifying of Mexico as a port of entry.

674. Damages which according to Vera Cruz merchants would result to the Federal Treasury.

675. The Vera Cruz State Government supported the representation made by the merchants of the port.

676. The Administrator of the Vera Cruz custom-house reported on the damage the Revenue would suffer.

677. The merchants of Mexico did not insist in their petition for the qualification of this capital as a port of entry, and the past Administration took no action on the matter, which resulted that things continued as before, there being no qualification of the capital for direct import trade. It is to be believed that the merchants of Mexico did not find any good reasons for combating the showing of their Vera Cruz colleagues, inasmuch as it was not done.

678. During the two years that the present Administration has directed the affairs of the Republic no one has again moved for the qualification of this capital as a port of entry. Notwithstanding this, whenever any merchant has asked that his goods be despatched to this capital instead of Vera Cruz, and sufficient reason has been found for doing so, it has been decreed accordingly, there being a recent case of this in the despatching of the baggage and samples which the Chicago Commission has just brought with them, which were not despatched by the Vera Cruz custom-house, but by the General Revenue Department of this capital.

B. Term granted importers for despatching their Goods in Vera Cruz.

679. In the Mexican tariff there is no direct provision regarding the term within which the consignees of foreign goods must present themselves for the despatching of them.

680. Article 67 of the tariff provides that all who receive consignments may, from the time the vessel begins to discharge, present their requests for despatch, and before proceeding to such despatch each request must be confronted with the general manifest of the vessel and the corresponding consular invoices. In Article 68 it provides that if the documents agree the despatch may be made at the wharf, in the warehouse of the custom-house, or in such place as may be generally most convenient for commerce, provided that no damage result to the public revenue or to the goods.

681. To rectify or add to consular invoices, which is permitted under certain conditions, Article 66 and subsequent decrees grant to consignees 24 hours, reckoned from the time the vessel anchors. This term, the only one the importers have to make rectifications or additions, has been considered sufficient to avoid any loss that they might suffer through unintentional errors committed by remitters; and it has not been possible to extend the privilege, granting a longer time, because it would result in serious danger to the interests of the revenue.

682. But although the tariff does not definitely determine the time within which consignees shall present themselves for the despatch of their merchandise, the provision contained in Article 74 of the tariff and Article 47 of the custom-house regulations in force regarding that the liquidation of duties must be concluded, without fail, by twenty-five days after the conducting vessel has finished discharging; and lastly, the limitation of time which, according to the same Article 74 of the tariff, consignees have to let their goods remain in the warehouses of the custom-house, all this indicates quite fully that only this term is granted for the despatching of merchandise.

683. All the custom-houses of the Republic, except that of Vera Cruz, comply with the obligation to remit the liquidations of duty in the term specified in the said article of the regulations. This is a proof that the importing merchants experience no difficulty in not delaying the despatch of their goods. In the Vera Cruz custom-house another practice has in fact become established, and notwithstanding that it is not expressly authorized by law, it has been tacitly tolerated in view of the incomparably greater movement, which makes an exact compliance with these obligations much more difficult; and the merchants improve this circumstance not to hurry the despatching of their effects.

684. Abuses on the part of some importers has been the natural consequence of this privilege, which was granted administratively on account of especial circumstance of the port of Vera Cruz, and it has become already necessary to make some efficacious disposition that shall harmonize the fiscal and commercial interests.

685. Before the establishment of the Bureau of Adjustments of this Department, the liquidation of duties due

677. The merchants of Mexico did not insist in their solicitation of February 28th, 1873.

678. Various solicitations for the despatch in this city of goods coming through Vera Cruz have been granted.

679. Our tariff contains no provision respecting the time within which consignees shall make their despatch.

680. Provisions of Articles 67 and 68 of the tariff in relation to the despatching of merchandise.

681. Terms granted Consignees, to rectify and add to their invoices.

682. Art. 74 of the tariff and 47 of the Regulations, indicate that the goods must be despatched within 25 days after the discharge of the vessel.

683. Some Vera Cruz importers take advantage of the difficulty of complying with this provision, to delay their despatches.

684. The abuses that have been committed in consequence of this practice require the enactment of repressive measures.

685. The Bureau of Adjustments has succeeded in establishing greater regularity in the remission of liquidations.

the Vera Cruz custom-house were received at seven and eight months after the vessels bringing the goods had finished discharging, and even then it was noted that there were some goods still remaining undespached in the warehouses of the custom-house of that port. That custom-house was repeatedly called to account for its slowness in making its despatches, and forming adjustments of duties, and at last a better performance was attained.

686. At present the registries of importation are received at three or four months after each vessel has finished discharging, and it is to be noticed that on many occasions all this period of time is improved by some importers in going to dispatch their goods, and that in many of those registries the liquidation of some policies were left pending, because the respective merchandise has not yet been despatched. Every time that the Bureau of Adjustments has asked for the liquidation lacking on certain custom-house sheets, it has been found that the effects corresponding were still lying undespached in the customs warehouses of Vera Cruz.

687. From what the Report sets forth it might be inferred that the term granted by law to consignees, to rectify and add to their consular invoices, is the same as that allowed for despatching their goods; for in relation to this subject it says, that "all foreign goods have therefore to pass through the Vera Cruz custom-house, and for that only 24 hours are granted in which to prepare invoice and manifest;" but, from what has just been stated, it is to be seen that this interpretation would be the consequence only of the ambiguous manner it is expressed in the Report, and that, on the contrary, importers of foreign goods avail themselves, when it suits their interests, of the practice established in the Vera Cruz custom-house of not requiring within the precise term of 25 days either the presentation of applications for despatch, or the despatch itself, which must precede the liquidation of the duties liable.

688. It must be noted also that the liberality with which the said importers are treated, in not exacting the payment of duties, but on the verification of the despatch of their goods, which is sometimes done a long time after the conducting vessel has finished discharging, has been duly recognized, as well by the trade of Vera Cruz as by that of the capital, who see in this consideration on the part of the government the desire it has of combining the interests of the federal revenue with those of commerce.

689. The fact also is worthy of mention, that no recompense is exacted from the owners of goods for storage during the time they remain deposited in the customs warehouses, while in every other country in the world goods imported for consumption enjoy this privilege for only a very limited term.

690. On the other hand, it must be borne in mind that the despatching of foreign goods suffers no delay in the Vera Cruz custom-house, but that as soon as application is made by consigners the despatch is immediately proceeded with, being done with every possible liberality, in order to save commerce the annoyance consequent on an exaggerated scrupulousness in the examination of merchandise.

C. Despatching of foreign goods in the City of Mexico.

691. The Report calls attention to the fact that goods, after having been recognized by the Vera Cruz custom-house, and having there paid their import duties, are subject to a fresh examination on arrival at the capital, having to pay local imposts and to suffer further expense.

692. It has already been before said that the Executive, being desirous of expediting commercial operations, had studied the project of qualifying Mexico for direct import trade, but that weighty considerations determined it not to grant such qualification. It has also been shown that an effort was made to suppress the levying of duties of consumption on foreign goods by the custom-house of this city, and that it had to be left subsisting. Experience has demonstrated that although the abolition of those duties resulted, that commerce had the benefit of not having its goods subjected to a second examination, this benefit and the other advantages of saving expense, etc., would not compensate for the damage that would result to it on the realization of the project; for many are the cases in which frauds have been discovered in the manifesting of merchandise, which either through the promptitude of despatch by the Vera Cruz custom-house, or because the law authorizing the examination of only a relatively small part of the cargo, when there are no suspicions of fraud, they had passed by false manifests through the custom-house, causing a loss of part of the duties.

686. The adjustment of duties are now received from Vera Cruz within 3 or 4 months, some policies still remaining pending.

687. Ambiguous manner in which the Report expresses itself respecting the term given importers for despatching their goods.

688. Liberal treatment of Vera Cruz commerce in not exacting payment of duties until after they are despatched.

689. No storage is demanded for the time merchandise remains in the custom-house.

690. Foreign goods are despatched by the Vera Cruz custom-house as soon as asked for by the Consignees.

691. Estimations of the Report on the re-despatching of goods in the city of Mexico.

692. Experience had demonstrated the propriety of subjecting goods to a re-despatch in this city.

693. Legitimate trade and the revenue cannot but be benefitted, therefore, in the preservation of this system, and it ought not to be a serious obstacle for the importing houses of this city, the fact that they have to witness a second despatch, and make the small expenditure of 2 per cent. on importation, called duty of consumption, and of stamps that only amount to 25 cents for each common-sized sheet of paper containing the application for despatch.

694. In regard to the duty of consumption levied in this city on foreign goods, it remains to say that this duty amounted, according to the law of May 31st, 1872, to 6 per cent. on the rates of importation, and that by the law of August 11th, 1875, it was reduced to 2 per cent., divisible between the federation and the municipality of the district. The same law authorized the deposit in the customs warehouse of this city, for 120 days, of foreign goods in transit, without exacting any recompense for the first thirty days, and imposing a storage duty at the rate of 10 cents for each second and third month, and 20 cents for the fourth and last month on each package of eight Mexican arrobas or 200 lbs.

695. In order to abbreviate the despatch of foreign goods coming to this capital by the Vera Cruz railway, and to save the owners of merchandise the expense and useless annoyance of carriage to the district custom-house, and acceding to a solicitation to that effect presented by the merchants of the Chamber of Commerce of this capital, it was ordered by a circular of April 14th, 1878, and a regulation of the 8th of the same month, that the examination of the cargo should be made in the Buena Vista station, whenever those interested should prefer, and should so state by word of mouth to the customs officer stationed at said point. It is evident, then, that the Mexican Executive leaves no means untried to save the commerce of the city all those expenses and troubles which are not considered of utility in guaranteeing the interests of the revenue.

D. Cost to the commerce of Mexico of the despatch made in Vera Cruz.

696. In the calculations the Report presents of the cost in the city of Mexico of one barrel of hams and ten kegs of cut nails, proceeding from New York, are comprehended the expense attaching to all importation through whatever port of the Republic, as well as that which has to be incurred especially at Vera Cruz. These latter are so insignificant that they may be considered to be amply compensated by the great advantages which the commerce of this city enjoys by reason of communication by rail, and which have been a positive prejudice to the other mercantile centres of the country; for since the conclusion of the Vera Cruz Railway it has been noticed that the trade of the same port has somewhat increased, while that of other regions of the country has suffered a diminution.

697. The advantages enjoyed by the merchants of this capital over those of other points of the Republic, by reason of a quicker and easier communication with the principal markets of the world, stand out more prominently when we compare the topographical situation of this city with that of the States far away, principally those whose commerce has to be supplied through ports on the Pacific; and it is not strange that some districts which formerly received the greater portion of the foreign goods they consumed entirely by way of Mazatlan, Manzanillo and San Blas, should now come to this city to provide themselves with a portion of the European articles they need.

698. It appears proper to explain how it is that, suffering the cost of merchandise imported through Vera Cruz by the heavy charges approximately shown in the before-mentioned calculations, Mexico can compete in the sale of foreign goods for the interior of the Republic with other places situated nearer the coast.

699. In the first place, it must be observed that, notwithstanding the cost of transporting merchandise over the Vera Cruz and Mexico railroad and over carriage roads from this city to other points of consumption, it is not less expensive, but on the contrary, more so, in many cases, the freight paid on merchandise, if imported through other ports and from there sent to equi-distant points.

700. In the second place, the maritime freight paid for the transportation of European goods to the ports of the Gulf of Mexico is, as a general rule, more moderate than that charged for transportation to Pacific ports. Although the freight on many articles from New York to Vera Cruz is higher than that from San Francisco to

693. The small expense of duties of consumption and stamps is repaid by advantage to legitimate commerce.

694. Amount of duty of consumption before and after the law of August 11th, 1875, and deposit in this capital.

695. Circular of April 14th, 1878, permitting the despatch of merchandise in the Station of Buena Vista.

696. The despatch in Vera Cruz is an insignificant burden in comparison to the advantage of railway communication.

697. This advantage has extended the trade of the city of Mexico, to the prejudice of the commerce of the Pacific coast.

698. Mexico competes with other places in the sale of foreign goods.

699. The railway freight is in many cases lower than that paid for transportation of goods to equidistant points.

700. Difference between maritime freights on the Gulf of Mexico and on the Pacific.

Pacific ports, this difference is compensated by the cheaper price at which most American articles can be obtained in the former market.

701. The expenses of cartage, shipping, consular certificates, manifests, brokerage and commission in the places from whence goods proceed are the same for the whole trade of Mexico, and the same can be said, with a few insignificant exception, of insurance on North American goods, letters of exchange in making remittances abroad, and to Mexican ports where goods are discharged, import duties, municipal port dues, landing and cartage in the port of destination.

702. The only additional expense accruing to the commerce of Mexico, by despatching merchandise at Vera Cruz instead of at this capital, are: Commission on despatch, which varies between $1\frac{1}{2}$ and 2 per cent. on the sum of the value of invoice, and the expenditures of the commission merchant in Vera Cruz; the small expenditure to freight men for opening and closing the few packages examined in each lot of merchandise, and a 25 cent stamp for the importing passport. All the other expenses would be the same if despatch and payment of import duties were made in this city; and the levy of two or at the most $2\frac{1}{4}$ per cent. on the expense of the article in Vera Cruz is certainly too insignificant to be considered an impediment to commerce. It is, on the other hand, very natural that the commission merchant should have the recompense pertaining to the service he performs for another who does not live in the place where his goods arrive; this happens not only in Mexico but in every part of the world, and it can be averred that the charges made in the United States for commission on despatch and expense are very much higher.

7. THE IRON PIER OF THE VERA CRUZ RAILWAY.

703. In reference to the iron pier built by the Mexican Railway Company, Limited, the Report states that "the Mexican Government had the intention of authorizing despatch in this capital of goods coming from Vera Cruz, and with this object it exacted of the Vera Cruz Railway Company the construction of an iron pier that has cost more than \$300,000, in order that foreign goods might be transferred directly from the vessels to the cars; and although the pier was finished more than three years ago it has never yet been used, because the people of Vera Cruz (a city of 12,000 inhabitants) considers it prejudicial to their local interests."

704. On the conclusion of the Vera Cruz railway an endeavor was made, as has been already stated, to make a sort of port of this capital by arranging for this despatching of goods here. The Administration of Senor Lerdo de Fejada earnestly considered the matter, turned away from any such idea for the reasons heretofore expressed, and during the present Administration no one has thought or proposed anything in relation to the subject.

705. The construction of the iron pier in Vera Cruz by the Mexican Railway Company, Limited, did not originate, as the Report states, to facilitate the transfer of foreign goods from the vessels to the cars on their way to this city; but to facilitate the exportation of national productions, reducing considerably the cost of shipment and warehouse dues in Vera Cruz. These expenses amounted, in fact, to a large sum, from the difficulty attending shipments in that port, and from the monopoly established by freight men and owners of launches. The pier being finished, some difficulties in using it presented themselves, arising principally from the fact that it had not been built according to contract, and that there were not the necessary offices for the employees of the custom-house. This prevented its being opened for general trade, although in some exceptional cases, and concerning bulky articles not needing special examination, such as rails, machinery, etc., their disembarkation has been constantly permitted at the said pier.

706. The company had scarcely, though only in part complied with their obligation to provide an office for the custom-house employees, when it was authorized, by determination of the Department of Public Works, communicated through this Department, to use the said pier, although not yet unreservedly, but for the shipment of national goods not liable to duty, and for the disembarkation of machinery, rails and very heavy effects coming in bulk, without packing in crates, boxes or bands, and the examination of which can be made easily by the respective employees.

707. Although any attitude that may have been taken by a portion of the people of Vera Cruz, manifesting

701. Expenses which are equal for all commercial points of the Mexican Republic.

702. The special expenses which bear upon the trade of the City of Mexico are commission in Vera Cruz and stamps.

703. The Report states the iron pier of Vera Cruz has not yet been used on account of the resistance of the people of Vera Cruz.

704. The preceding administration did not judge it convenient to qualify the city of Mexico for direct import trade.

705. The iron pier was built to facilitate the exportation of national products.

706. Authorization of October 28th, 1878, for the discharge and shipment of certain effects at the said pier.

707. The late Administration did not authorize the use of the pier at Vera Cruz, and the present one has permitted it.

hostility to the use of the pier built by the Mexican Railway Co., limited, might have influenced the mind of the preceding Administration not to require the speedy fulfillment of the contract respecting the said pier, that has not been the principal cause of its not having been put to use, and the present Administration has authorized its employment in terms already expressed, and in conformity with the respective contract, without stopping to consider the results of the attitude of the people of Vera Cruz, being persuaded that local interests should give way before the general interests of the country.

8. EXCHANGE.

708. The Report considers as one of the inconveniences presented to the increase of trade between Mexico and the United States, the disadvantage of exchange occasioned by the kind of money in circulation in Mexico, and by the depreciation which this money has recently undergone in foreign markets. On this point it says as follows: "In the foregoing notes there will have been noticed another discouragement to foreign commerce in the nature of the exchange. All business in this country is done exclusively with silver, which is depreciated and is current money, so that one has here to add to price and expenses the cost of exchange, which for some time has been held at 18 per cent. for drafts on New York. This depends upon 10 per cent. discount on silver, 5 per cent. Government export duty and three per cent. for carriage, insurance and other expenses required to place it in New York."

709. Although it would, perhaps, be more opportune to speak of this matter in treating the subject of mining in Mexico, which important question occupies a large part of the Report, it appears, however, proper to make here some observations thereon, as well because the Report has especially occupied itself with it, considering it to be one of the existing difficulties in the way of increase of trade between the two countries, as that in itself it possesses sufficient interest to be treated separately.

710. Here, then, the two questions relating to this subject will be examined, to wit: First, difficulties which exchange offers to the increase of commerce between Mexico and the United States, and second, the way of getting over those difficulties.

A. Difficulties offered by Exchange to the development of Commerce between Mexico and the United States.

711. It is generally known that until lately silver has been one of the articles of large consumption, principally in China. Besides that, all nations, almost, excepting England, which was the first to demonetize silver, used that metal for their coin. The fact that the Chinese Empire, which alone has a population larger than all Europe, used it for the same purpose, created a considerable demand for the metal, and kept it at a high price.

712. The fact that the production of silver was relatively limited, contributed to produce this result, for Mexico, which for a long time furnished the larger part of this metal to the markets of the world, hardly produced from twenty to twenty-five millions of dollars annually in her best years, and the average of her annual production scarcely exceeds eight millions. After the acquisition of California and Nevada by the United States the production of silver in those States increased considerably, to the degree of having some years exceeded a hundred millions of dollars.

713. On the other hand, most of the European nations thought proper to demonetize silver, and establish gold as the only medium of exchange in large transactions, foreseeing the consequence if the money consisted of a metal whose mercantile value was subject to frequent fluctuations. The production of silver increasing, and the consumption diminishing, naturally the price of this metal went down, and such fall created a great discouragement to Mexican commerce in sending abroad the funds necessary to pay the value of merchandise imported to this country.

714. It is true, as the Report states, that it contributes greatly to increase against Mexico the difference of exchange, the circumstance that the Mexican Government levies export duty on silver, as also the duties of extraction levied by some of the mining States, so that the banker, on fixing the price of exchange on London,

708. The depreciation of silver is a difficulty to the enlargement of commerce between Mexico and the United States.

709. Propriety of treating especially the question of exchange.

710. Difficulties of Exchange in their relation to increase of commerce between Mexico and the United States, and the mode of getting over them.

711. High price of silver until a short time ago, in consequence, principally, of its demand in China.

712. The high price ruled until the considerable increase of the silver production of California and Nevada.

713. The increase of production and diminution of consumption caused, in consequence, a fall in the price of silver.

714. The difference against Mexico in exchange is caused by Federal and State duties on silver.

Paris, or New York, takes into account, in the first place, the value of silver in those markets ; from this he deducts the duties on extraction and export which he has to pay the General and State Governments, and besides, the expenses of freight, insurance, commission, etc., up to the sale of the metal in the market to which it is remitted, and finally its utility, all of which renders exchange greatly disadvantageous to Mexico.

715. These circumstances have caused that for some time previous to the recent depreciation of silver exchange on New York was on an average about eight per cent. in prejudice of Mexico ; and since this depreciation commenced, that exchange has suffered various fluctuations, in some cases going as high as twenty per cent.

716. The Mexican Government agrees with the ideas expressed in the Report in regard to the propriety for the country and its commerce of suppressing completely the export duties on silver, and this subject will be specially spoken of upon treating on mining in Mexico.

717. The natural consequence of the depreciation in foreign markets of silver, the principal article of Mexican export, must be the increase in price of the foreign goods consumed in this country, so that, if formerly goods imported from New York or elsewhere suffered, by reason of exchange, a burden of 8 per cent., it has now, in calculating its cost, to be augmented by the difference which results from the depreciation of silver, which is more than 12 per cent.

718. There is, therefore, greater difficulty in the sale of foreign goods in Mexico, from the movement that the enormous difference in exchange has to be supported by the consumer ; but this difference in exchange cannot be considered to be an especial inconvenience for the United States, as it exists equally for all foreign nations that trade with Mexico.

719. It is true that so considerable a difference against the principal article of Mexican export cannot but occasion fresh difficulty for the commerce of this country, for every circumstance that in any way contributes to increase the price of merchandise, hinders its sale ; but as the Mexican Government is making the efforts, which the Report acknowledges, to diminish in every way in its power the difference of exchange, we should not lose all hope that this evil will be remedied.

b. Mode of getting over the difficulties of Exchange.

720. There is, on the other hand, a very simple way of obviating the inconveniences of exchange, to which reference has just been made. This method consists in exporting from Mexico, in payment of foreign goods consumed in this country, not silver, but some of the other articles produced here, such as coffee, sugar, cochineal, vanilla, tobacco, dye woods, cabinet woods, hemp, honey, and various other articles.

721. It is true that those articles have not been produced in Mexico in quantity sufficient to pay the value of the importations of foreign goods brought to this country, and that therefore it would not be possible with them, only to get round the difficulties of exchange to which the Report alludes. It is true also, that on account of the heavy land freights which some of these articles of interior production are subject to, as, for example, sugar, they have not attained any exportation to the United States, principally because Mexico is not yet in condition to compete with the Island of Cuba, which, besides having heavy capital invested in sugar industry, has railroads to make transportation easy and cheap, and is situated but a short distance from New York ; but if it is taken into account, that there are an infinity of articles in Mexico the exportation of which presents no difficulty whatever, and the slight cost of which compared to their value in other countries, is a strong incentive to speculation, it will be comprehended that these articles can receive a vigorous impulse by only knowing how to take advantage of the natural riches and special conditions of the country.

722. Moreover, among the articles which incur a loss in their remittance from Mexico to other countries, there are many that do not result so unfavorably as silver, and ought therefore to be taken advantage of in pref-

715. Depreciation in silver has caused fluctuations in exchange, increasing it considerably.

716. The Mexican Government recognizes the propriety of freeing the production of silver from paying export duties.

717. The difference in exchange resulting from the depreciation of silver causes increase in the price of imported merchandise.

718. The higher cost of merchandise hinders its sale ; the inconvenience exists in all Mexican trade.

719. It is hoped to get round the inconvenience of exchange through the efforts the Mexican Government is making to diminish the difference.

720. To place funds abroad other products than silver can be exported.

721. Although the present exportation of other products is insufficient, it might in time suffice to satisfy the needs of exterior exchange.

722. Comparison between remittances of silver and those of other products.

erence for exterior exchange. In fact, if the exportation of sugar from the interior of Mexico to the New York market involves a loss of six per cent., it is clear that that of silver, which now forms the basis of exchange, involving a loss of 20 per cent., the exportation of sugar would amount to a relative utility of fourteen per cent; and the same can be said in regard to various other articles of Mexican production.

723. It would seem that these facts will not remain hidden to the generally recognized intelligence of North American merchants, whose enterprising spirit will find undoubtedly in this country incentives for speculation and means of bettering considerably, to their own profit, the present disadvantages of this market.

9. CREDITS FOR PAYMENT OF FOREIGN MERCHANDISE.

724. The Report considers, also, as a grave inconvenience to the development of a large commerce between Mexico and the United States, the credits on which foreign goods are generally sold in this country, and says on this subject as follows: "Another grave impediment exists to the establishment of a vast American commerce with Mexico, and that is the universally established system here of doing business on long credits. The merchants of the interior, who come to make their purchases in this city, always make them on credits that are generally eight months without interest, and which frequently run on to ten months and a year. To the American merchant, who has to conform to the high rate of interest that obtains in the United States, and short credit, this presents grave difficulties, to which may be added that which arises from the want of free transmission of money from the interior to the city of Mexico. The same does not happen to the German importer, who has good relations and credit in Europe, whence he can ask large sums of money at a low interest and on long credit. Silver being heavy and bulky, and the circulating medium, it can only, owing to the insecurity of the roads, be sent with safety in the '*conductas*' or great trains, escorted by a numerous federal force. These '*conductas*' come, it can be said, every three or five months, only from Zacatecas or immediate cities, and the merchants have to await their arrival to receive funds."

725. In the preceding statement there are two important considerations: the first referring to the credits generally paid in Mexico for foreign goods, and the second to the difficulty of conducting silver from one part of the country to another. Each one of these points will be especially spoken of.

A. Difficulties presented to the development of commerce between Mexico and the United States, by the system followed in Mexico of selling foreign goods on Credit.

726. The Report has been very exact in stating that there is still another circumstance which prevents our trade with the United States from being sufficiently revived to gain that height which commercial relations should attain between two bordering friendly nations of identical political principles. This impediment lies in the fact that manufacturers and merchants of the United States are not accustomed to give for the paying of their merchandise as long credits as those obtained in Europe.

727. If an investigation be made into the origin of the great enterprises of the United States, the fact is revealed that many of them have been established with European capital; but this capital, upon being invested in American enterprises, has changed nationality, and it is really not understood why the capitalists of the neighboring Republic, having so acquired immense fortunes, have not heretofore tried to imitate the Europeans in trade with Mexico, granting to our commerce the same facilities which have been granted to their own.

728. The reason of this backwardness consists, perhaps, in that few or no efforts have yet been made on the part of statesmen of both countries, and principally of that one, to establish between them an understanding and harmony which, combining the mutual conveniences of both sister republics with the special interests of each, would make not only possible, but effective, the increase of our common commerce. Mexico has proved on many occasions the desire she has to enlarge her commercial relations with the United States, and she has always seen with profound regret the attempts made to impede the realization of this idea, by persons who have either judged of our situation from inexact data, or have allowed themselves to be influenced overmuch by events and circumstances which are in no wise extraordinary, considering that the progress of a people that has had to emancipate itself little by little cannot be instantaneous.

723. North American merchants will find in Mexico incentives to speculation.

724. Opinion on the inconvenience of long credits granted in Mexico, and of the lack of quick transmission of funds

725. These two inconveniences will be examined separately.

726. Manufacturers of the United States do not grant as long credits as those of Europe.

727. It is not understood why the capitalists of the United States have not up to this time imitated the Europeans in granting long credits.

728. The holding back of United States capitalists proceeds from the fact that the efforts of Mexico have not been seconded by men of that country.

729. It is proper to bear in mind, among other things, that the difficulty to the extension of commerce with the United States, from credits, does not spring from any act of Mexico or from any provision of its Legislature, but from special circumstances of European nations, that permit them to sell their goods on credit and by this means place themselves in a more advantageous position than the United States.

730. It is true that as a general rule foreign goods are sold in Mexico on credits of six and eight months, but the importing merchants, upon fixing the selling price of his merchandise, includes the interest on its value for the term of credit granted for its payment, and it does not appear that North American merchants ought to encounter any difficulty in following this system, if they really wish to compete with Europeans in trading with Mexico.

731. North American merchants who have given so many proofs of being able to compete victoriously with those of European nations in old established industries, in spite of the difference in wages paid respectively to operatives, ought not, it would seem, hesitate before the inconvenience presented them by the circumstance of long credits.

B. Difficulties of Transporting Silver Coin in Mexico.

732. It is proper, also, to rectify the estimates of the Report touching the difficulties presented to the transportation of sums of money from one port of the Republic to another.

733. For the object of preventing the possibility of a small number of persons being able to take possession of a load of silver, in transit from one part of the country to another, the Government has for a long time considered it to be its duty to provide such necessary escort that the transportation of silver could be made without this danger. But not being easy to give the escort in every circumstance under which it was asked for by those interested, various enactments have been passed, called "*Reglamentos de conducta*," the object of which is to fix rules and dates upon which the Government will provide escort for the transportation of loads of silver. In these regulations it is determined that generally the "*conductas*" (as these loads of silver passing from one point to another of the country are called here), should start every three or four months from one to another of the principal commercial centres of the Republic.

734. The transportation of silver coin from this capital, which is the principal commercial centre of Mexico, to the port of Vera Cruz offers no difficulty whatever, for a passenger train leaves every day, which serves for the transportation of metals destined for that port, and this train goes sufficiently guarded with federal forces for the protection of passengers and their interests.

735. Since the 1st of January, 1873, at which date the Mexico and Vera Cruz railway was put in operation, there has been no notice of any robbery of the train from Vera Cruz, except on two occasions, in one of which, by ingenious means, the assailants stole relatively small sums, part of which was afterwards recovered by the authorities.

736. With date of June 14th, 1850, was issued the first "*Regulation of 'conductas.'*" There were to be four of these per year, setting out about the middle of January, April, July and October, from this capital to Vera Cruz, as well as to this capital from Guanajuato, and from this point and Zacatecas for San Luis Potosi, en route for Tampico. From Monterey it was to depart three times per year, as well as from Guadalajara and Durango. From Rosario and Ures, en route to Mazatlan and Guaymas, it was to start twice a year. From Chihuahua twice, and at most thrice. The said regulation provided for the method of protecting money on its way to the ports, the offices that should issue the documents, and a competent escort to accompany the "*conductas*."

737. The regulation of June 14th, 1850, was amended by that of July 11th, 1853, which provided, that instead of four, the "*conductas*" should only depart three times per year; this was the only noticeable reform, for, excepting some small differences relating to documentation, the rest is the same as the first one.

729. Advantageous position which payments on long credit have given European merchants.

730. The importing merchant, on fixing the price of his merchandise, calculates the interest on the credits given for payments.

731. American manufacturers ought not to look upon long credit as an obstacle to realization on their merchandise.

732. Rectification of the statements of the Report respecting the transportation of specie.

733. To assure the transportation of silver coin, divers regulations have been issued.

734. There is no difficulty in the transmission of silver from Mexico to Vera Cruz.

735. Since the inauguration of the Vera Cruz railway in January, 1873, there have only been two robberies, and of small amounts.

736. Regulation of "*conductas*," June 14th, 1850.

737. Regulation of "*convoy*" of July 11th, and December 10th, 1853.

738. On the 11th of July of last year, the last regulation of "*conductas*" was issued, which is the one now in force. According to it, four "*conductas*" will depart, instead of three, from Guadalajara, Zacatecas, San Luis Potosi, Guanajuato and Queretaro, en route for this capital. Three times a year they will depart from Guadalajara for Manzanillo, from San Luis Potosi for Tampico, from Durango for Mazatlan and Zacatecas, and monthly for Matamoros. From Chihuahua they will depart when there are funds to transmit, but not exceeding four times per year. The remaining articles of the regulation, amounting to eleven, are relative to the manner of guarding the "*conductas*," except the 9th, which declares the right of individuals to send their capital outside of the "*conductas*," and when they please.

10. FREE TRADE AND PROTECTIONISM IN MEXICO.

739. The Report states that the branches of industry for which the country offers particular advantages are mining and the cultivation of tropical plants ; but it adds, "its fiscal legislation has had a direct tendency to oppress mining ; and it has made great efforts to promote manufacturing, for which he considers neither the people nor the country are specially adapted."

740. These few words appear to be an attempt at deciding the important question of protectionism and of free trade, which has for a long time been debated in this country, without having been able to arrive at any definite conclusion one way or the other. It cannot be denied that mining is the easiest element of wealth to work in Mexico, because the products thereof are adapted for easier exportation than the others, and are the only ones that can immediately satisfy the necessities of foreign exchange ; but, unfortunately, this branch of our industry has not been able to attain the development of which it is susceptible ; neither can it be denied that this country presents especial advantages for the production of tropical fruits ; but the cultivation of tropical fruits has not begun yet on a scale on which they might be produced ; but they have had to limit themselves almost to the demand of interior consumption.

741. When a comparison is drawn between the mineral wealth of the States of California and Nevada, with that which exists in some districts of Mexico, one cannot but comprehend the great proportions which mineral production would assume in this country, if it should come to be worked on the scale on which it is done in the United States. It can be assured that without any great effort it would be easy to augment the annual production of silver, from about 25 millions, about the average it has amounted to for some years past, to a hundred or a hundred and fifty millions. It can also be assured, that with but little effort coffee could be produced in as large quantity as in Brazil, and of better quality. It can immediately be understood how great an increase the commerce of Mexico would acquire, if its export should be developed from a matter of thirty millions per year, its present amount, to two hundred or two hundred and fifty millions.

742. However, to the misfortune of this country, it has not been possible up to this time to attain such development of its elements of wealth. Through the overturnings and political convulsions it has suffered since the Independence, and through the distrust that has prevailed in consequence of these overturnings, keeping back the capital necessary for the development of the natural elements of wealth, as well as through the defects of the fiscal legislation of the country, instead of foreign capital coming destined for its development, Mexican capital has been emigrating abroad ; and the result is, that up to this time it has not been possible to increase production, except on a very limited scale.

743. Public opinion has not come to any decision for some time in Mexico in regard to the best manner of promoting the progress of the country. Some have believed that this could be best secured by encouraging manufactures, establishing therefor a protective fiscal legislation, and burdening foreign goods with heavy duties ; and others, on the contrary, have thought that the circumstances and needs of the nation required low duties, which would operate to give an impulse to trade. The sustainers of one and the other of these theories have occupied the attention of the public for some time, without having succeeded in bringing about any practical solution of the question.

738. Regulation of "*convoy*" of July, 1878, now in force.

739. Opinion of the Report upon the natural advantages, and the system followed in the fiscal legislation of the country.

740. Mining and the cultivation of tropical plants in Mexico have not, up to the present time, attained the development of which they are capable.

741. Considerations respecting the possible increase of production in Mexico and its influence on commerce.

742. Production in Mexico has not been able to attain a larger increase, through commotions which have impeded the immigration of capital.

743. The question is not yet decided in Mexico, whether to protect manufactures, or to stimulate commerce by means of low duties.

744. It cannot be denied that the protective theory has generally prevailed in Mexico, and either because it was thought proper to give the preference to pushing forward the development of manufacturing industry, or from the necessity of providing resources for the revenue, it has obliged foreign governments to load foreign goods with high import duties. Neither can the fact be denied that various former administrations have made great efforts to establish and encourage manufactures in this country, principally of ordinary cotton fabrics, which industry, from the decided protection it has counted upon, has been one of the most lucrative branches of business open to enterprise here, and has acquired, in consequence, great importance.

745. In speaking of mining, questions bearing upon this important branch of public wealth come under special consideration; whether regarding fiscal legislation in Mexico, or regarding the actual status of this industry, or finally, in regard to the probability of obtaining a great mercantile movement by means of freedom granted to mining productions.

746. If the population of this country, or at least a considerable portion of it, were established on the coast, so they could have easy access to the sea, or if the hot districts which abound in Mexico had navigable rivers or railroads by which to transport their products to the coast cheaply, then the production of tropical fruits, which are in large demand in the world, would be able to acquire great proportions; but the principal part of the population resides, on the contrary, as stated, in the interior of the country, for the coasts properly so called are found almost uninhabited, and those who reside in the hot districts, where the production of tropical fruits is easy, and principally those of the temperate and cold climates, cannot transport their fruits to the coast on account of the heavy rates of freight. The consequence of this is that the production of tropical fruits is relatively small, and will remain so until there is easy and cheap means of communication.

747. From the preceding simple exposition it is evident that the problem of procuring the development of the natural elements of Mexico is not so simple as it might be thought at first sight, because the circumstances of this nation give to it certain peculiarities which cannot be properly understood by means of an abstract system, nor on absolute principles. Undoubtedly what it most urgently needs is the investment of large capital, as well for the construction of easy and cheap means of communication, to make possible the development of its immense elements of wealth, as to assist directly in such development, both in mining and agriculture. For this motive the Mexican Government has tried and is trying, by every means within its reach, to facilitate the investing of foreign capital in the enterprises of this country, and also to facilitate the building of railroads, without which it would be impossible to raise it out of the condition, stationary and full of difficulties, in which it now is.

II. PRESENT COMMERCE OF MEXICO WITH THE UNITED STATES.

748. This labor would not be complete if it were limited to examining and rectifying the statements of the Report in respect to the commerce between Mexico and the United States, without entering into other and important considerations in reference to what that commerce is and has been, and to the mode of increasing it.

749. The following subjects, then, relating to the trade of Mexico with the United States will be examined:

- A. Exterior trade of Mexico up to 1853.
- B. Trade of Mexico with the United States up to 1858.
- C. Present trade of Mexico with the United States.
- D. Considerations respecting the present exportation of Mexico compared with that of the last two years of Spanish rule.

A. Exterior trade of Mexico up to 1853.

750. The foreign commerce of Mexico imported in 1853, according to the calculations of Sr. Miguel Lerdo de Tejada, a distinguished Mexican statistician, set forth in his work entitled "*Exterior Commerce of Mexico from the Conquest up to the Present Time*," (1853), \$26,000,000 during the year, and this commerce was distributed as follows (p. 57):

"In view of all these data, which inform us with some exactness of the exportations which all these countries

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- 744. Protectionism and the state of the revenue have been the cause of the imposition of high duties.
 - 745. The mining question comes under special consideration, from the relation it bears to several other interesting subjects.
 - 746. Difficulty of taking advantage in Mexico of all the possible production of tropical fruits for exportation.
 - 747. Need of facilitating production by means of the investment of foreign capital, and the building of railroads.
 - 748. Past and present condition of commerce between Mexico and the United States, and the best means of forwarding it.
 - 749. Matter bearing upon commerce between Mexico and the United States considered.
 - 750. Importation of foreign goods to Mexico in 1853, according to Sr. Miguel Lerdo de Tejada.

have made to ours, and of the value in the principal ones of them of the merchandise at its departure according to the custom-house declarations, it results that adding to that value 15 or 20 per cent. in the case of European and American goods, and on goods from India 50 or 60 per cent., for all their expenses until their arrival at one of our ports, the total value of foreign merchandise imported annually to the Republic is, to-day, not less than \$26,000,000, and this amount proceeds from the following nations:

From England.....	\$12,500,000
“ France.....	4,500,000
“ Germany.....	1,850,000
“ Spain.....	700,000
“ Belgium.....	800,000
“ Sardinia.....	90,000
“ United States.....	4,500,000
“ Guatemala } “ Ecuador } “ New Granada } “ Venezuela } “ Chile }	250,000
“ the Island of Cuba.....	600,000
“ India.....	710,000
Total.....	\$26,000,000

751. The total value of exportations from Mexico, Sr. Lerdo de Fejada calculates to be from \$27,000,000 to \$28,000,000, in these terms (p. 60):

“ Besides silver and gold, there are annually exported from Mexico other products of its soil and industry, such as dye woods, cochineal, coffee, tobacco, sugar, sugar cane, vanilla, sarsaparilla, jalapa root, cocoa, indigo, anis, Tabasco pepper, salt, ceniquen fibre, woods, resins, tortoise-shell, pearl and shell nacre, dry hides and sheep pelts, some cured hides, salt fish and meats, rice, beans, horses, horned cattle, sheep, hogs, hats, common woolen fabrics, wax figures, biscuit, fruits, preserved sweetmeats and other articles; and notwithstanding it is impossible now to frame a complete statement of the sum which the annual exportation of these effects amounts to, it can be very well estimated at three or four millions of dollars, which estimate will not appear exaggerated, if it is remembered that only the dyewood, cochineal, and tobacco now exported amounts to nearly two millions of dollars per year.

“ Taking into consideration what is exported of these articles from the Republic, the present state of mining and the value the importations amount to, it can be assured that the total value of the exportations amounts annually to twenty-seven or twenty-eight millions of dollars in this order; twenty-three or twenty-four millions in gold and silver, and three or four millions in various other effects.

752. In spite of the grave and frequent overturnings and convulsions Mexico has suffered, from 1810 to date, it is satisfactory to see that its exterior commerce has gone on progressively increasing, although not to that proportion it would have acquired if it had enjoyed peace and tranquility.

753. Sr. Lerdo de Fejada says on this subject, in his work already quoted, “*Exterior Commerce of Mexico from the Conquest to the Present Time*” (1853), as follows (page 61): “Comparing now the results which the exterior commerce of Mexico presents during each of these three periods in which we have divided it in forming this little work, it is very satisfactory to note, that although our country has not made the progress that might have been expected of it since it ceased being a colony of Spain, the increase which has taken place in its mercantile movement since that epoch is worthy of consideration; for, according to all the data to which I have already referred, it is evident that while the number of vessels which arrived at New Spain from Europe and America in 1819, did not exceed 141, those arrived in 1851 amounted to 839; that while the total value of importations did not exceed \$8,000,000 annually in the last 25 years of the colonial system, to-day it reaches \$26,000,000, the same increase being noted in exportations; and, lastly, that while in that epoch Mexico gave annually nine or ten millions of dollars to roll up the fortunes of a small number of monopolists, and pay a part of the expenses of the peninsular government, to-day, if we except the money that our Government has to send for the payment of interest on foreign debt, and what some foreigners retiring to their own country with the

751. Annual exportation of Mexico, according to the same author.

752. Exterior commerce of Mexico has gone on increasing, notwithstanding the political overturnings Mexico has suffered.

753. Estimates of Sr. Lerdo de Tejada respecting the increase of the interior trade of Mexico.

little fortune they have succeeded in making here carry away with them, which seems, altogether, have not exceeded a million and a-half or two millions of dollars in the year, it can be said that not a single dollar goes out of the country except in exchange for an equivalent value brought into it."

B. Trade of Mexico with the United States up to 1858.

754. Mr. Charles Butterfield, in his book already quoted, entitled "*United States and Mexico. Carrying Trade and Postal Facilities between the Two Countries*," inserted the following table of the annual amount of commerce between Mexico and the United States, from 1826 to 1858, the data of which are taken, as he states, from the official reports of the United States Treasury Department (page 27 of the Appendix).

The following Statement, taken from the United States Treasury Report, demonstrates the Commercial Transactions between Mexico and the United States, from 1826 to 1858.

YEARS.	Exportation from Mexico to the United States.	Exportation from the United States to Mexico.	YEARS.	Exportation from Mexico to the United States.	Exportation from the United States to Mexico.
1826	\$3,916,000	\$6,281,000	Brought forward..	\$86,856,220	\$70,815,386
1827	5,232 000	4,173,000	1843	2,782,406	1,471,937
1828	4,814 000	2,886,000	1844	2,387,000	1,794,833
1829	5,026,761	2,331,151	1845	1,702,936	1,152,331
1830	5,235,241	4,837,458	1846	1,836,621	1,531,180
1831	5,167,000	6,178,000	1847	746,818	692,428
1832	4,293,954	3,467,541	1848	1,581,247	4,058,446
1833	5,459,818	5,408,091	1849	2,216,719	2,090,869
1834	8,666,668	5,265,053	1850	2,135,336	2,012,827
1835	9,490,446	9,029,221	1851	1,804,779	1,518,783
1836	5,615,819	6,040,635	1852	1,649,206	2,284,929
1837	5,654,002	3,880,323	1853	2,167,985	3,558,824
1838	3 127,153	2,787,362	1854	3,463,190	3,135,486
1839	5,500,707	2,164,097	1855	2,322,830	2 922,804
1840	4,175,000	2,515,341	1856 ..	3,568,681	3,702,239
1841	3,484,957	2,036,620	1857	5,985,867	3,615,206
1842	1,996,694	1,534,493	1858	5,477,465	3,315,825
Carried forward.....	\$86,856,220	\$70,815,386	Total.....	\$129,245,327	\$109,737,332
			Average per year.....	3,916,525	3,325,377

755. From the preceding statement, it appears that during the first years of Mexican Independence, and before the events of Texas took place, commerce with the United States was of some importance. In the year 1826 it reached \$10,197,000, and in that of 1830, \$10,072,699; it afterwards decreased considerably, and in the year 1841 hardly amounted to \$5,521,577; in 1842, to \$3,531,187; in 1843, to \$4,254,343; in 1844, to \$4,181,833; in 1845, to \$2,855,267; and in 1846, to \$3,367,801, all of which shows how much the political relations between the two countries affect their commercial relations. It appears, also, that the average of exportation from Mexico to the United States during the course of the 32 years from 1826 to 1858, was \$3,916,525, and that the average of exportation from the United States to Mexico during the period was \$3,325,377, both entries making a total of \$7,241,902.

756. Mr. Butterfield prepared in his book, already quoted, "*Mexico and the United States*," the following statement of the exterior commerce of Mexico: "In the year 1858, divided by nations, and comprehending importations at \$26,000,000, and exportations at \$23,000,000, according to the calculations of Sr. Lerdo de Tejada (page 20 of the Appendix).

Interchange with England	\$33,400,000
" " the United States	8,700,000
" " France	5,500,000
" " Germany	2,000,000
" " Spain	1,200,000
" " Belgium	400,000
" " Sardinia	100,000
" " Guatemala, Ecuador, New Granada, } Venezuela and Chile	500,000
" " the Island of Cuba	1,200,000
" " India and China	1,000,000
Total	\$54,000,000

754. Commerce between Mexico and the United States from 1826 to 1858, according to data of Mr. Charles Butterfield.

755. Deduction from the preceding statement published by Mr. Butterfield.

756. Statement of Mr. Butterfield on the exterior commerce of Mexico in 1858.

757. Since then circumstances have somewhat changed, for France and Germany have augmented their commerce in greater proportion than the United States.

C. Present Commerce of Mexico with the United States.

758. The most complete and detailed statement it has been possible to form of the importation there has been in Mexico since the work of Sr. Lerdo de Tejada, is that belonging to the fiscal year of 1872 to 1873, which specifies the classes of merchandise imported to Mexico during that year, and whence proceeding:

Statement of the Importation of the Mexican Republic during the Fiscal Year of 1872 and 1873, and showing whence proceeding.

	Value of invoice.	Market value.	Custom-house duties.
GERMANY.			
Goods free of duty.....	\$46,122 63	\$67,007 93	.....
Cottons	808,297 46	1,335,288 42	\$469,322 71
Linen and hemp goods	184,850 78	292,195 34	90,432 50
Woolens	117,715 40	185,076 82	66,957 06
Silks	15,884 31	27,590 16	6,710 05
Mixed goods.....	99,180 71	164,594 89	45,574 70
Groceries and eatables	532,870 72	840,954 51	299,830 26
Glass, glassware and crockery	122,037 83	194,060 45	71,459 89
Faucy goods, iron and hardware	244,648 71	384,360 54	143,121 52
Drugs, medicines, &c.	18,043 51	32,451 87	14,946 66
Miscellaneous	179,829 65	274,741 17	99,546 62
Art. 21. Effects not quoted.....	25,504 57	36,137 31	17,716 84
	\$2,394,914 28	\$3,834,459 41	\$1,325,618 81
SPAIN.			
Goods free of duty.....	\$3,362 00	\$68,108 38	.....
Cottons	14,661 10	30,658 90	\$12,288 14
Linen and hemp goods	9,842 86	21,601 20	5,846 15
Woolens	589 17	1,049 23	421 55
Silks	844 15	1,304 86	538 81
Mixed goods.....	1,516 57	2,887 49	1,062 16
Groceries and eatables.....	744,682 64	1,097,596 94	51,891 13
Glass, glassware and crockery	1,821 00	3,813 34	918 09
Fancy goods, iron and hardware	4,095 30	7,825 03	2,556 74
Drugs, medicines, &c.	2,932 92	4,347 58	2,289 81
Miscellaneous	151,590 57	212,894 59	98,746 67
Art. 21.	414 00	554 34	267 09
	\$996,352 29	\$1,452,641 88	\$635,821 34
FRANCE.			
Goods free of duty.....	\$194 261 09	\$261,610 63	.....
Cottons	395,915 02	544,371 02	\$269,591 78
Linen and hemp goods	59,522 92	83,691 82	43,160 02
Woolens	406,173 49	543,448 01	270,923 53
Silks	238,157 01	319,394 97	158,213 31
Mixed goods	201,250 33	270,505 17	133,708 82
Groceries and eatables.....	1,044,618 10	1,577,688 73	583,877 87
Glass, glassware and crockery	89,493 42	130,641 99	46,922 68
Fancy goods, iron and hardware.....	340,794 81	486,651 89	190,572 74
Drugs, medicines, &c.	39,428 39	62,556 38	30,068 48
Miscellaneous	322,583 13	466,561 73	160,936 68
Art. 21	130,077 28	173,425 27	85,854 40
	\$3,462,274 99	\$4,920,547 61	\$1,973,825 31
ENGLAND.			
Goods free of duty.....	\$904,304 46	\$1,238,186 62	.....
Cottons	3,856,683 07	5,664,081 05	\$2,677,965 53
Linen and hemp goods	554,561 04	793,745 75	356,613 55
Woolens	320,028 11	443,486 49	212,750 73
Silks	90,862 58	126,994 34	60,104 39
Mixed goods.....	498,902 40	691,023 89	325,340 62
Groceries and eatables.....	174,210 16	293,240 41	111,308 19
Glass, glassware and crockery	18,379 14	42,377 50	15,551 83
Fancy goods, iron and hardware	208,191 89	327,633 42	139,767 67
Drugs, medicines, &c.	22 746 12	39,467 41	16,691 94
Miscellaneous.....	150,253 60	211,944 30	69,607 85
Art. 21	386,564 60	515,563 08	254,977 46
	\$7,185,687 17	\$10,387,744 26	\$4,240,679 76

757. Since 1858 Germany and France have increased their commerce with Mexico in greater proportion than the United States.

758. Balance of importation in Mexico during the fiscal year of 1872 and 1873.

UNITED STATES.		Value of invoice.	Market value.	Custom-house duties.
Goods free of duty.....		\$1,151,655 18	\$1,615,781 24	.....
Cottons.....		1,503,144 25	2,144,724 00	\$1,322,090 70
Linen and hemp goods.....		142,592 38	198,337 65	86,120 40
Woolens		147,635 99	200,268 47	103,659 50
Silks		38,842 20	54,894 43	25,406 76
Mixed goods.....		133,188 38	160,602 62	83,059 65
Groceries and eatables.....		1,042,697 82	1,527,888 65	653,366 68
Glass, glassware and crockery.....		18,487 69	32,574 85	11,489 96
Fancy goods, iron and hardware.....		351,956 93	617,353 71	199,005 76
Drugs, medicines, &c.....		92,686 70	153,798 17	75,091 58
Miscellaneous		579,167 58	803,944 92	688,446 51
Art. 21.....		11,943 96	18,657 56	7,850 72
		\$5,213,999 06	\$7,528,826 27	\$3,255,597 22
SOUTH AMERICA.				
Goods free of duty.....		\$69,802 78	\$84,744 50	.....
Cottons.....		458,212 55	740,881 41	\$240,740 67
Linen and hemp goods.....		52,225 72	79,799 54	21,387 34
Woolens.....		39,236 66	65,822 20	21,627 03
Silks		17,315 12	31,605 44	9,031 21
Mixed goods.....		118,366 97	159,535 35	35,386 01
Groceries and eatables.....		74,083 01	130,384 77	25,013 72
Glass, glassware and crockery		5,464 87	10,547 59	1,916 11
Fancy goods, iron and hardware		30,507 24	50,766 29	12,258 55
Drugs, medicines, &c.....		2,421 11	5,713 12	2,092 82
Miscellaneous.....		20,873 05	31,354 86	7,858 05
Art. 21.....		523 50	885 35	280 14
		\$889,032 58	\$1,392,040 42	\$377,591 64

General Recapitulation.

	Proportion represented on value of invoice.	Value of invoice.	Market value.	Custom-house duties.
Germany	11,890 per cent.	\$2,394,914 28	\$3,834,459 41	\$1,325,618 81
Spain	4,947 "	996,352 29	1,452,641 88	635,821 34
France.....	17,189 "	3,462,274 99	4,920,547 61	1,973,825 31
England.....	35,674 "	7,185,687 17	10,387,744 26	4,240,679 76
United States	25,886 "	5,213,999 06	7,528,826 27	3,255,597 22
South America.....	4,413 "	889,032 58	1,392,040 42	377,591 64
		\$20,142,260 37	\$29,516,259 85	\$11,809,134 08

In all the custom-houses the whole amounts of duties appears in their balances, except in that of Vera Cruz, which makes a reduction of 10 per cent., according to the decree of May 31st, 1872, by which said 10 per cent. is deducted on \$5,927,163 18, to which amount the duties of the rest of said offices, making.....

592,726 31

\$11,216,407 77

Section 5.—MEXICO, December 31st, 1878.

J. M. GARMENDIA.

759. From the preceding statement it appears that the importations from the United States during the fiscal year of 1872 and 1873 reached an invoice value of \$5,213,999 06, or a little more than 25 per cent. of all the importations to Mexico in the years indicated.

760. It must be borne in mind, however, as has already been shown, that a considerable part of these values belong to merchandise, which, although coming in American vessels, is of European origin, which occurs principally with those which arrives on the Pacific, in the Panama and San Francisco mail steamers. As the Mexican laws do not require that in the respective custom-house documents the origin of goods imported to Mexico should be stated, it is impossible to fix exactly what part of the arrivals in North American vessels are of European origin.

759. The importations from the United States appear to be but little more than the quarter part of the total importations of 1872 and 1873.

760. Among the goods ostensibly imported from the United States, those coming from England and Germany ought to be deducted.

761. The recapitulation of the exportation of Mexico during the fiscal year of 1872 and 1873 is as follows, prepared by section 5 of this Department :

Export done through all the Ports of the Republic during the Fiscal Year of 1872 and 1873.

	GERMANY.		SPAIN.	
	Value.	Duties.	Value.	Duties.
Various effects free of duty	\$138,011 60	.....	\$575,312 57	.....
Woods.....	195,764 70	\$6,881 11	50,065 00	\$19 50
Metals.....	444,361 63	17,387 48	112,043 00	2,702 60
	\$778,137 93	\$24,268 59	\$737,420 57	\$2,722 10
	FRANCE.		ENGLAND.	
	Value.	Duties.	Value.	Duties.
Various effects free of duty	\$588,834 55	.....	\$545,955 26	.....
Woods.....	171,827 00	\$1,780 50	480,719 03	\$55,178 60
Metals	3,832,761 98	182,563 80	11,484,680 41	561,979 81
	\$4,593,421 53	\$184,344 30	\$12,511,354 70	\$617,158 41
	UNITED STATES.		SOUTH AMERICA.	
	Value.	Duties.	Value.	Duties.
Various effects free of duty	\$3,224,521 21	.....	\$252,265 51	.....
Woods.....	104,220 82	\$6,631 46	2,710 00	\$132 00
Metals	8,039,117 10	384,786 38	1,350,835 77	59,960 53
	\$11,367,859 13	\$391,417 84	\$1,605,811 28	\$60,092 53
	TOTALS.			
	Value.	Duties.		
Various effects free of duty	\$5,324,900 70	.....	
Woods.....	1,005,304 55	\$70,623 17		
Metals.....	25,263,799 89	1,209,380 60		
	\$31,594,005 14	\$1,280,003 77		

Section 5.—MEXICO, December 30th, 1878.

J. M. GARMENDIA.

761. Statement of exportation made in Mexico during the fiscal year of 1872 and 1873.

762. Section 5 of this Department has just prepared a general balance of importation taken place in Mexico during the fiscal year of 1874 and 1875, which is the last of which there is no exact data. This balance is as follows :

General Importation of the Republic during the Fiscal Year of 1874 and 1875, giving its Origin and the References to the Tariff in force.

NOMENCLATURE OF TARIFF.		Value of invoice.	Market value.	Custom-house duties.
GERMANY.				
Art. 16.	Goods free of duty.....	\$50,454 13	\$67,246 00	.....
Art. 18, frac. I.	Cottons.....	199,750 81	390,595 76	\$189,615 73
Art. 18, frac. II.	Linen and hemp goods.....	27,599 82	45,460 45	20,759 22
Art. 18, frac. III.	Woolens.....	40,379 70	62,200 96	29,730 51
Art. 18, frac. IV.	Silks.....	7,942 91	13,160 55	5,440 74
Art. 18, frac. V.	Mixed goods.....	44,903 04	75,252 33	32,278 51
Art. 18, frac. VI.	Groceries and eatables.....	288,346 08	471,601 13	200,918 58
Art. 18, frac. VII.	Glass, glassware and crockery.....	74,181 54	121,199 63	53,505 52
Art. 18, frac. VIII.	Fancy goods, iron and hardware.....	147,593 18	229,092 26	104,758 33
Art. 18, frac. IX.	Drugs, medicines, &c.....	12,107 92	19,940 05	9,950 43
Art. 18, frac. X.	Miscellaneous.....	116,232 84	169,540 09	7,797 13
Art. 21.	Goods not specified in the tariff and taxed at 55 per cent. on appraisement.....	1,284 08	1,800 25	908 09
		\$1,010,776 05	\$1,667,089 46	\$725,662 79
SPAIN.				
Art. 16.	Goods free of duty.....	\$12,295 18	\$18,403 81	.....
Art. 18, frac. I.	Cottons.....	2,374 73	4,582 65	\$1,639 89
Art. 18, frac. II.	Linen and hemp goods.....	2,430 18	3,493 80	349 94
Art. 18, frac. III.	Woolens.....	9 49	17 71	6 33
Art. 18, frac. IV.	Silks.....	.....	.....	.....
Art. 18, frac. V.	Mixed goods.....	728 22	1,552 88	477 08
Art. 18, frac. VI.	Groceries and eatables.....	710,525 57	1,042,210 27	488,669 22
Art. 18, frac. VII.	Glass, glassware and crockery.....	316 58	571 92	230 34
Art. 18, frac. VIII.	Fancy goods, iron and hardware.....	3,832 16	6,495 99	2,257 95
Art. 18, frac. IX.	Drugs, medicines, &c.....	1,512 26	2,444 61	1,253 00
Art. 18, frac. X.	Miscellaneous.....	179,500 20	247,860 39	114,953 94
Art. 21.	Goods not specified in the tariff and taxed at 55 per cent. on appraisement.....	1,384 01	1,892 99	900 73
		\$914,908 58	\$1,329,527 02	\$610,738 42
FRANCE.				
Art. 16.	Goods free of duty.....	\$320,611 26	\$429,118 43	.....
Art. 18, frac. I.	Cottons.....	338,709 84	470,118 29	\$233,890 74
Art. 18, frac. II.	Linen and hemp goods.....	99,494 42	135,619 53	67,721 67
Art. 18, frac. III.	Woolens.....	441,148 41	595,718 41	297,603 31
Art. 18, frac. IV.	Silks.....	299,424 72	404,638 69	199,921 04
Art. 18, frac. V.	Mixed goods.....	215,953 69	291,263 67	142,864 51
Art. 18, frac. VI.	Groceries and eatables.....	733,793 04	1,177,846 93	523,392 32
Art. 18, frac. VII.	Glass, glassware and crockery.....	61,970 55	105,313 64	45,644 78
Art. 18, frac. VIII.	Fancy goods, iron and hardware.....	288,314 85	421,494 61	195,860 60
Art. 18, frac. IX.	Drugs, medicines, &c.....	36,370 49	53,272 51	29,215 60
Art. 18, frac. X.	Miscellaneous.....	364,849 73	519,808 54	151,633 45
Art. 21.	Goods not specified in the tariff and taxed at 55 per cent. on appraisement.....	18,938 65	25,386 51	12,605 74
		\$3,219,579 65	\$4,629,094 76	\$1,900,353 76
ENGLAND.				
Art. 16.	Goods free of duty.....	\$1,331,377 47	\$1,740,274 81	.....
Art. 18, frac. I.	Cottons.....	5,096,552 94	7,541,593 45	\$3,660,162 65
Art. 18, frac. II.	Linen and hemp goods.....	453,456 75	656,718 34	310,462 61
Art. 18, frac. III.	Woolens.....	342,179 17	476,002 24	230,887 12
Art. 18, frac. IV.	Silks.....	177,642 54	249,444 01	126,370 10
Art. 18, frac. V.	Mixed goods.....	456,040 16	649,643 50	308,718 15
Art. 18, frac. VI.	Groceries and eatables.....	347,068 38	522,396 13	243,600 09
Art. 18, frac. VII.	Glass, glassware and crockery.....	46,496 67	89,930 54	38,558 34
Art. 18, frac. VIII.	Fancy goods, iron and hardware.....	310,328 29	456,206 96	210,557 19
Art. 18, frac. IX.	Drugs, medicines, &c.....	20,916 34	32,742 35	15,909 61
Art. 18, frac. X.	Miscellaneous.....	150,061 66	208,967 41	68,535 62
Art. 21.	Goods not specified in the tariff and taxed at 55 per cent. on appraisement.....	10,428 23	14,396 57	5,528 94
		\$8,742,548 60	\$12,638,316 31	\$5,219,288 24

NOMENCLATURE.		Value of invoice.	Market value.	Custom-house duties.
UNITED STATES.				
Art. 16.	Goods free of duty.....	\$1,028,765 26	\$1,495,839 56	.....
Art. 18, frac. I.	Cottons.....	1,656,224 02	2,272,365 84	\$1,661,479 87
Art. 18, frac. II.	Linen and hemp goods.....	117,229 08	155,248 20	94,392 78
Art. 18, frac. III.	Woolens.....	163,590 15	225,907 57	136,050 80
Art. 18, frac. IV.	Silks.....	37,871 13	50,868 34	31,440 04
Art. 18, frac. V.	Mixed goods.....	77,547 06	106,832 84	54,797 71
Art. 18, frac. VI.	Groceries and eatables.....	852,228 40	1,216,600 12	571,377 77
Art. 18, frac. VII.	Glass, glassware and crockery.....	56,659 73	86,396 80	48,182 03
Art. 18, frac. VIII.	Fancy goods, iron and hardware.....	394,890 16	588,466 15	252,638 65
Art. 18, frac. IX.	Drugs, medicines, &c.....	102,915 14	163,630 95	86,540 69
Art. 18, frac. X.	Miscellaneous.....	506,015 81	712,362 01	480,450 34
Art. 21.	Goods not specified in the tariff and taxed at 55 per cent. on appraisement.....	26,336 93	34,611 38	18,304 56
		\$5,016,302 87	\$7,108,629 76	\$3,435,655 24
SOUTH AMERICA.				
Art. 16.	Goods free of duty.....	\$434 43	\$700 36	.....
Art. 18, frac. I.	Cottons.....	49,065 43	129,019 65	\$53,679 29
Art. 18, frac. II.	Linen and hemp goods.....	2,841 96	7,916 88	3,209 98
Art. 18, frac. III.	Woolens.....	711 13	1,728 22	662 56
Art. 18, frac. IV.	Silks.....	463 47	1,241 43	496 44
Art. 18, frac. V.	Mixed goods.....	590 00	1,511 43	609 20
Art. 18, frac. VI.	Groceries and eatables.....	23,741 08	38,311 10	10,386 18
Art. 18, frac. VII.	Glass, glassware and crockery.....	1,210 03	2,013 73	371 28
Art. 18, frac. VIII.	Fancy goods, iron and hardware.....	5,940 21	9,242 25	1,894 60
Art. 18, frac. IX.	Drugs, medicines, &c.....	795 87	1,347 04	700 37
Art. 18, frac. X.	Miscellaneous.....	4,475 70	10,316 83	3,212 99
Art. 21.	Goods not specified in the tariff and taxed at 55 per cent. on appraisement.....	33 19	51 00	28 08
		\$90,302 50	\$203,399 92	\$75,250 97

General Recapitulation.

NOMENCLATURE OF TARIFF.	Value of invoice.	Market value.	Custom-house duties.
Germany.....	\$1,010,776 05	\$1,667,089 46	\$725,662 79
Spain.....	914,908 58	1,329,527 02	610,738 42
France.....	3,219,579 65	4,629,094 76	1,900,353 76
England.....	8,742,548 60	12,638,316 31	5,219,288 42
United States.....	5,016,302 87	7,108,629 76	3,435,655 24
South America.....	90,302 50	203,399 92	75,250 97
	\$18,994,418 25	\$27,576,057 23	\$11,966,949 60

Section 5.—MEXICO, January 14th, 1879.

J. M. GARMENDIA.

763. From the preceding statement it appears that the importations made in Mexico of foreign goods proceeding from the United States during the fiscal year of 1874 and 1875 bore an invoice value of \$5,016,302 87, or \$197,696 19 less than in the year of 1872 to 1873, it being proper to bear in mind that this sum comprehends merchandise of other nationalities brought to Mexico in United States vessels, as has already been stated.

763. The importation of Merchandise proceeding from the United States in the year from 1874 to 1875 was \$5,016,302 87.

764. The general exportation made in Mexico during the fiscal year of 1874 and 1875 is as appears in the following statement, prepared by section 5 of this Department :

Exportation made through all the Ports of the Republic during the Fiscal Year of 1874 and 1875.

	GERMANY.		SPAIN.	
	Value.	Duties.	Value.	Duties.
Various effects free of duty	\$205,650 86	.....	\$396,350 66	.....
Metals.....	36,229 58	\$762 02	317,308 50	\$1,755 98
Woods.....	202,463 56	5,229 95	50,537 00	1,522 50
	* \$444,344 00	\$5,991 97	\$764,191 16	\$3,278 48
	FRANCE.		ENGLAND.	
	Value.	Duties.	Value.	Duties.
Various effects free of duty	\$537,665 68	.....	\$768,411 37	.....
Metals	4,852,011 31	\$221,199 81	7,612,788 57	\$366,838 81
Woods.....	334,386 53	7,593 93	838,637 46	83,451 26
	\$5,724,063 52	\$228,793 74	\$9,219,837 46	\$450,290 07
	UNITED STATES.		SOUTH AMERICA.	
	Value.	Duties.	Value.	Duties.
Various effects free of duty	\$3,476,774 53	.....	\$28,734 21	.....
Metals	6,696,538 55	\$269,289 72	779,449 91	\$46,623 83
Woods.....	184,854 82	13,784 03	.....	.....
	\$10,358,167 90	\$283,073 75	\$808,184 12	\$46,623 83
	TOTALS.			
	Value.	Duties.		
Various effects free of duty	\$5,413,587 31	.....	
Metals	20,294,321 42	\$906,470 17		
Woods.....	1,610,879 37	111,581 67		
	\$27,318,788 10	\$1,018,051 84		

Section 5.—MEXICO, January 14th, 1879.

J. M. GARMENDIA.

765. Besides not having as yet all the data of the years subsequent to that of 1874 and 1875, in order to form the general balances of importation, they could not serve as a basis, because they were exceptional years, in that of 1875 and 1876 the revolution of Tuxtepec began and continued during that of 1876 and 1877, on account of which the importations of both years were very limited. With the year of 1876 and 1877 the contrary happened, that is, peace having become re-established and public confidence revived, importations were much larger than usual, for which reason neither could this year serve as a basis for proximate calculations.

766. The Bureau of Adjustments of this Department has already formed, with the notices of exportation re-mitted from the custom-house, the following *resume* of the exportation for the fiscal year of 1877 and 1878,

764. Statement of exportation made in Mexico during the fiscal year of 1874 and 1875.

765. As yet the necessary data to form the tables of the importation of later years is not had.

766. Notice of the exportation in the year 1877 to 1878, formed by the Department of Adjustments.

which is here appended to complete the notices, which are on file in this Department, respecting the present commerce of Mexico with the United States.

DEPARTMENT OF STATE FOR THE FINANCES AND PUBLIC CREDIT.
BUREAU OF ADJUSTMENTS AND COMMERCIAL STATISTICS. }

GENERAL RESUME of the Exportation of National Productions through Mexican Ports during the Fiscal Year from July 1st, 1877, to June 30th, 1878, arranged alphabetically with detail of kinds of goods sent abroad, their weight, value and duties, drawn from twenty-six partial balances, formed by the Subscriber from the registers of exit remitted to the Bureau of Adjustments by the Maritime and Frontier Custom-houses of the Republic, the partial balances of which, besides the data named, contain the name of the vessel, its class and nationality, dates of exit, points of destination, and a detailed statement of effec's.

KINDS OF ARTICLES EXPORTED.	Kilograms.	Grs.	Values.	Duties.
1. Coconut oil	4,260	600	\$724	25
2. Oil of aloes	439	000	240	00
3. Lard oil	310	090	88	00
4. Brandy	694	000	94	50
5. Garlic	5,850	000	500	00
6. Wire, copper	29	910	73	00
7. Cotton	1,003	236	218	00
8. Starch	12,279	976	1,950	12
9. Almonds, sweet	273	350	45	00
10. Alfalfa (lucern)	12	000	7	00
11. Anacahuite	100	000	9	00
12. Anise	1,334	460	330	00
13. Antiquities	250	000	200	00
14. Indigo	42,650	770	64,523	60
15. Manufactures of the country	5,441	731	9,900	12
16. Rice	16,550	694	1,519	50
17. Metallic coffins	132	000	130	00
18. Saffron (common)	1,165	000	75	00
19. Sugar, in loaf	3,146,024	917	249,785	72
20. Sugar, unpurified	13,806	000	9,000	00
21. Sugar, brown	64,887	950	17,694	52
22. Barrels	11,050	000	1,445	00
23. Batteries, electric	70	379	330	00
24. Blacking, shoe	25	220	12	00
25. Horses and mares .....	.....	.....	2,378	00
26. Cocoa, Tobasco	443	056	505	00
27. Coffee	4,046,423	629	1,275,058	11
28. Safes, iron	121	000	95	00
29. Cinnamon	115	050	300	00
30. Mahogany	23,934,081	400	379,365	94
31. Bell (one)	345	150	30	00
32. Caoutchouc	180	070	104	00
33. Beef dried	45,384	388	9,702	93
34. Earthen jars (Mex., canjilonos)	2,588	625	112	50
35. Shoes	18	806	116	50
36. Egg shells	138	060	43	00
37. Dividivi (Mex., cascolote)	2,811	000	555	40
38. Hydraulic lime	232	000	15	75
39. Cartridges, loaded	150	000	80	00
40. Shrimps	6,955	640	618	30
41. Canteens, sole leather	10	000	15	00
42. Tortoise shell	165	000	165	00
43. Barley	11,434	625	3,400	00
44. Onions	302	690	48	75
45. Bristles	70,053	216	22,229	15
46. Cedar	32,155,867	536	357,340	13
47. Beer	112	000	50	00
48. Nails, iron	287	150	28	00
49. Cocoa nuts	175,516	480	7,848	00
50. Shells	117,877	400	15,425	25
51. Cushions	6	000	4	00
52. Copper	377,785	952	26,332	31
53. Bags	35,473	830	4,889	00
54. Eatables	3,010	000	2,470	38
55. Elm bark	100	000	2	00
56. Cow hides, with hair on	2,454,105	115	567,976	52
57. Pig skins	4,759	000	2,102	00
58. Calf skins, with hair on	48,003	350	8,579	57
59. Halibut skins	232	000	165	00
60. Horns	32,058	000	1,875	00
62. Crudillos	14,864	460	3,569	00
63. Chapannerro	50	000	60	00
64. Asphaltum	20,040	800	1,124	00
A. Chitle (chewing gum)	3,775	945	916	38
65. Chili pepper	1,071	350	187	25
66. Chocolate	93	363	94	00
Carried forward	56,896,193	619	\$3,053,870	45
				\$92,511 67

KINDS OF ARTICLES EXPORTED.	Kilograms.	Grs.	Values.	Duties.
Brought forward.....	56,896,193	619	\$3,053,870 45	\$92,511 67
67. Sausages.....		55 220	5 00	
68. Chuzas de palma.....	8,264	000	1,999 00	
69. Sweetmeats of the country.....	2,188	370	879 12	
70. Ebony.....	2,101	000	34 00	
71. Effects without nomenclature.....	272	681	1,658 24	
72. Baggage.....	1,038	000	726 00	
73. Spanish broom.....	920	400	80 00	
74. Essences.....		59 000	60 00	
75. Vermicelli.....		40 240	16 00	
76. Bridles.....		5 000	18 00	
B. Fruits, fresh.....	12,401	024	2,123 40	
77. Beans.....	445,872	931	34,810 96	
78. Matches.....		8 400	10 00	
79. Photographs.....		50 000	200 00	
80. Fruits, dried.....	2,328	500	1,325 52	
81. Sheep, pigs, &c.....			1,071 00	
82. Peas.....	42,063	000	3,512 38	
83. Garra.....	12,324	000	149 70	
84. Biscuit.....		54 180	16 50	
85. Chickens.....			100 00	
86. Cochineal.....	84,946	192	78,155 20	
87. Split peas.....	10,197	000	771 00	
88. Hammocks, henequen.....	71,215	948	19,429 43	
89. Flour.....		5,772 420	546 60	
90. Henequen hemp.....	10,471,318	955	931,580 18	
91. Ice.....	13,358	000	625 00	
92. Henequen thread.....	84,110	757	10,490 00	
93. Corn husks.....		40 000	5 00	
94. Bone.....	102,230	000	1,525 00	
95. Rubber in sheets.....	27,836	888	9,035 53	
96. Rubber in bulk.....		1,176 000	418 00	
97. Huisache (pod for making ink).....		38 000	2 30	
98. Eggs.....	2,853	000	650 00	
99. Insects.....		24 000	20 00	
100. Musical instruments.....		25 000	12 00	
101. Ixtle (maguey fibre).....	2,610,776	230	242,586 44	
102. Soap.....		500 000	200 00	
103. Rope.....	13,645	324	2,467 43	
104. Ginger.....		180 380	17 50	
105. Jonote.....		87 000	10 00	
106. Jewelry.....		12 457	13,864 00	
107. Wool.....	100,659	700	18,187 68	
108. Brass in powder.....		308 000	150 00	
109. Lentils.....		3,546 160	266 00	
110. Printed books.....		766 902	545 00	
111. Crockeryware of the country.....		5,376 251	1,217 50	
112. Lemons.....	207,507	560	23,667 00	
113. Building timber.....	1,434,789	160	20,513 50	2,388 82
114. Indian corn.....		9,299 300	282 48	
115. Lard.....		46 020	20 00	
116. Machinery.....		1,173 000	730 00	
117. Brands for cigars and furniture.....		257 712	175 00	
118. Marble.....	208,892	000	15,043 75	
119. Saddle cloth.....		1 000	4 00	
120. Ivory.....		56 000	75 00	
121. Mangoes.....		1,034 000	71 50	
122. Mayates (kind of bug for jewelry).....		2 300	5 00	
123. Metal, silver.....	412,618	570	73,251 34	
124. Metal in powder.....		13,752 000	4,520 00	
125. Metal, composition.....		1,104 710	130 00	
126. Mezcal (brandy).....		844 340	211 00	
127. Medicines.....		32 000	16 00	
128. Molasses.....	14,289	210	828 00	
129. Syrup, purgative.....	20,058	732	2,222 65	
130. Honey.....	657,755	877	66,078 45	
131. Hatches.....		756 108	130 00	
132. Saddle bags.....		12 000	20 00	
133. Game bags.....		100 000	150 00	
134. Mules.....			1,440 00	
136. Samples.....		215 992	95 00	
137. Oranges.....		16,286 960	1,170 75	
138. Works of art for the Exposition.....		2,300 000	4,000 00	
139. Objects of natural history.....		675 000	95 00	
140. Gold, Mexican coin.....		1,703 804	991,760 50	4,958 79
C. Gold, Mexican coin (free of duty).....		4 219	2,494 00	
141. Gold, in paste.....		143 925	91,868 46	4,810 50
142. Gold, foreign coin.....		305 584	180,060 75	
143. Orchilla (dye).....	3,135,778	751	234,312 98	16,767 65
144. Campeche wood.....	6,183,937	500	119,744 50	
* Carried forward.....	83,362,983	363	\$6,270,628 67	\$121 386 93

KINDS OF ARTICLES EXPORTED.		Kilograms.	Grs.	Values.	Duties.
Brought forward		83,362,983	363	\$6,270,628	67
145. Wood, red		489,339	620	5,560	00
146. Wood, Brazil		4,033,159	000	49,549	00
147. Wood, mulberry		30,369,773	764	549,654	89
148. Potatoes		1,361	400	120	00
149. Straw		1,730	000	75	00
150. Fruit paste		41	000	14	25
151. Birds, different kinds .....		.....	.....	25	00
153. Pearls .....		.....	.....	15,200	10
154. Fish, pickled		32	000	15	00
155. Fish, salt		11,810	540	768	55
156. Mats		13	806	2	00
157. Hoofs		753	000	50	00
158. Skins, deer		74,662	138	39,276	02
159. Skins, goat		674,011	028	416,630	97
160. Skins, kid		10,387	220	5,250	40
161. Skins, sheep		50	000	14	00
162. Skins, tiger		30	000	22	00
163. Skins and feathers of birds		4,353	000	718	00
164. Stone, onyx		18,187	000	1,792	00
165. Stone, tecali		1,298	040	1,120	00
166. Stone, mineral		896,315	150	194,060	33
167. Stones, mill		3,912	856	138	00
168. Stones, filter		831	360	36	00
169. Sugar crust		4,901	850	423	00
170. Pepper, domestic		3,522	065	140	13
171. Pineapples		4,871	000	799	50
172. Silver, Mexican coin		464,931	671	17,169,563	97
D. Silver, Mexican coin (free of duty)		14,961	919	552,651	00
173. Silver in paste		60,495	413	2,338,401	39
E. Silver in paste		229	208	8,967	00
174. Silver, foreign coin		11,485	474	423,547	93
175. Platina		24	080	2,505	88
176. Plantains		15,227	000	1,807	50
177. Plants, live		271	300	1,045	50
178. Lead		271,594	390	29,997	00
180. Pulque		53	000	5	00
181. Cigar cases .....		.....	.....	15	00
182. Cheese		135	000	40	00
183. Cheese, Indian fig		34	050	10	00
184. Root, jalapa		33,814	615	6,753	40
185. Rope		13	000	8	00
186. Cattle, on the hoof .....		.....	.....	28,727	00
187. Watches		14	830	69	00
188. Sabucanas of henequen		193	284	46	00
189. Salt		298,623	500	2,555	50
190. Bran		888	000	44	40
191. Sacks, coarse brown linen		1,500	000	555	08
192. Salmon		16	290	30	00
193. Tallow		983	000	225	00
194. Seeds of plants		2,053	215	160	00
195. Saddles, riding		204	000	236	00
196. Rope, Sisal hemp		717,409	989	84,577	02
197. Hats, nap		918	000	410	00
198. Hats, straw		11,483	353	5,207	66
199. Blowers		325	000	30	00
200. Soles		154,456	890	49,375	00
201. Tobacco, manufactured		19,776	016	31,259	99
202. Tobacco, in leaf		160,542	282	58,882	62
203. Boards		2,992	000	65	00
204. Tea		67	090	120	00
205. Shin bones		550	000	2	20
206. Type, printing		278	881	54	35
207. Dye, domestic		77	000	96	00
208. Mineral earth		5,821	000	1,200	00
209. Turtles		115	050	10	00
210. Old rags		3,176	000	70	00
211. Wheat		1,362	000	44	32
212. Turbine and accessories		1,485	000	550	00
213. Plaster of Paris		549,045	000	2,000	00
214. Herbs, medicinal		4,393	500	245	17
215. Vanilla		32,036	987	346,133	12
216. Sole leather		502	167	390	00
217. Vaquerillo		15	000	17	50
218. Candles, stearine		96	640	30	00
219. Glass, worked		68	000	5	00
220. Hay		37,673	000	7,020	00
221. Sarsaparilla		435,057	686	71,213	77
222. Zinc		10,081	464	449	00
Totals		133,398,463	009	\$28,777,509	07
					\$1,179,339 60

B. Considerations Respecting the Present Exportation Compared with that of the Last Years of the Spanish Rule.

767. When the production of exportable articles during the Spanish domination is compared with that of the present time, it cannot but be noticed with pain that while the production of the precious metals has increased somewhat, that of other articles has diminished, at least in the proportion it showed during those years. In fact, in the 25 years elapsed from 1796 to 1820, of which there are exact data, it appears that, regarding Vera Cruz, which was the principal port of that time and almost the only one through which those operations were carried on, and the data of which were published by Sr. Lerdo de Tejada in his "Exterior Commerce of Mexico," the exportation to Spain of gold and silver during the said period was..... \$144,894,190 00

And the exportation of other effects amounted to..... 52,959,395 00

Both sums making a total of..... \$197,853,585 00

The exportation of gold and silver to foreign countries amounted during the same period to..... \$28,328,511 00

And exportation of other articles to..... 3,963,946 00

Being a total of..... \$32,292,457 00

The exportation of gold and silver to American countries was..... \$35,554,523 00

And that of other articles..... 12,833,723 00

Making a total of..... \$48,488,246 00

These three accounts of exportation during the said 25 years make a total of..... \$278,534,288 00

Of which sum there belongs to gold and silver..... \$208,777,224 00

And to other articles..... 69,757,064 00

Making the total of..... \$278,534,288 00

768. The average of the exportation of precious metals for the said 25 years was therefore..... \$8,351,088 96

And that of the exportation of other articles..... 2,790,282 56

Making a general average export of..... \$11,141,371 00

769. Comparing these sums with the amount of the present exportation of Mexico it will be seen that from the year 1820 to date it has tripled, inasmuch as from \$11,141,371 52, which it amounted to then, it now comes up to about \$30,000,000; that the exportation of precious metals has risen to almost twice as much again what it then was, inasmuch as from \$8,351,088 96, its average amount then, it is now from \$20,000,000 to \$25,000,000 per annum, and that the exportation of other articles other than gold and silver has lessened, in proportion, as from a third part, which it represented then, it has decreased to a fifth, which is the proportion of the \$5,000,000 to \$6,000,000 representing the export of articles other than gold or silver.

770. It is also noticeable the difference there was between importation and exportation during those said 25 years, representing the sum of \$19,428,342 as against Mexico, inasmuch as the exportation

rose to..... \$278,534,288 00

And the importation only to..... 259,105,946 00

19,428,342 00

771. The average of importation during the said period was \$10,364,237 84, which gives an annual difference also against Mexico of an average \$777,133 68.

767. Exportation through Vera Cruz from 1796 to 1820 amounted to \$278,354,288, of which \$208,777,244 were of gold and silver.

768. The average exportation of metals was \$8,351,088 96, and that of other articles \$2,790,282 56.

769. Comparison of these values with the amount of the present exportation of Mexico.

770. Difference against Mexico of \$19,428,342 between importation and exportation of the said period.

771. Average of annual importation during the period from 1796 to 1820.

772. During the Spanish rule, "*grana*," or cochineal, figured as one of the principal articles of exportation from New Spain, which was produced principally in the province of Oaxaca. From the balance, for the 25 years from 1796 to 1820, which Sr. Lerdo de Tejada publishes in his "Exterior Commerce of Mexico" (Document No. 14), formed from very exact data collected by the Consulate of Vera Cruz, it appears that the exportation of cochineal to Spain through Vera Cruz was, during the said period, 330,415 arrobas, to the value of \$32,090,268, and that exported to other nations was 22,425 arrobas, to the value of \$2,226,740, which makes a total of 352,840 arrobas, with a value of \$34,317,008. It appears, likewise, that in the year 1802 the exportation of cochineal through the port of Vera Cruz was \$3,303,470, and that in each one of the years of 1799, 1803, 1809, 1810, 1815 and 1819 the exportation exceeded \$2,000,000.

773. In consequence of cochineal having been cultivated in some other places, and principally in Guatemala and the Canary Islands, and of other cheaper substances having been discovered which give a similar color to cochineal, the price of this article fell considerably, and its exportation is at the present reduced to a quantity almost insignificant.

774. It must be borne in mind, also, that in the last years of those covered by the preceding statistics there were great overturnings in Mexico, which occasioned a very important reduction in its mineral production principally, and generally all mercantile operations, inasmuch as during that period the war of Independence commenced, which so moved the country, and which soon caused great reverses, bringing about the paralyzation of many mining enterprises and other branches of industry.

12. DEVELOPMENT MEXICAN COMMERCE HAS HAD WITH THE UNITED STATES.

775. The development Mexican commerce has had with the United States since 1867 is of some importance if it is taken into consideration how little has been done by that neighboring nation to forward it.

776. The Mexican Government has taken various measures on its part to increase that commerce, either by the establishment of lines of steamers between Mexican ports and the United States, or by lowering duties on certain North American goods of some consumption in Mexico.

A. Increase of Commerce between Mexico and the United States in consequence of lines of steamers sustained by the Mexican Government.

777. The best demonstration of the increase there has been in the commerce between Mexico and the United States in consequence of the establishment of lines of steamers sustained by the subsidy of the Mexican Government is the following statement, which shows the number of packages of merchandise and the duties on them, brought by the North American steamers, prepared by the Bureau of Adjustments of this Department. The statistics do not comprise more than six years, for the Bureau of Adjustments has only been established that length of time.

772. Value of exports in cochineal during the same period.

773. Cause of the destruction of the industry of the cultivation of cochineal.

774. The war of independence contributed to reduce considerably the production of articles of export.

775. Development of commerce between Mexico and the United States since 1867.

776. Trade between Mexico and the United States has become developed by lines of steamers and abatement of duties.

777. Increase of commerce demonstrated by the number of packages brought to Mexico by the lines of steamers.

RECAPITULATION.

Importation at Vera Cruz by New York Steamers.

Fiscal year of—	Packages.	Amount of duties.
1872-3.....	46,045	\$282,231 91
1873-4.....	61,525	336,159 96
1874-5.....	55,217	309,811 07
1875-6.....	48,540	253,064 99
1876-7.....	44,553	364,057 09
1877-8.....	72,140	434,084 89
Total in six years	328,020	\$1,979,409 91

Importation by the Port of Progreso.

Fiscal year of—		
1872-3.....	13,456	\$120,338 29
1873-4.....	25,004	152,495 54
1874-5.....	10,884	82,518 40
1875-6.....	20,864	158,034 40
1876-7.....	18,687	167,708 78
1877-8.....	17,896	217,910 40
Total in six years	106,741	\$899,005 81

Importation by the Port of Campeche.

Three months of the fiscal year of—		
1873-4.....	1,010	\$4,632 08
Fiscal year of—		
1874-5.....	2,335	10,309 59
1875-6.....	7,812	55,857 45
1876-7.....	5,631	52,388 59
1877-8.....	13,262	60,416 62
Total in four years and three months	30,050	\$183,604 33

Importation by the Port of Tampico.

Nine months of the fiscal year of—		
1874-5.....	1,325	\$9,111 05
Fiscal year of—		
1875-6.....	946	11,960 99
1876-7.....	1,339	20,327 85
1877-8.....	3,994	26,387 14
Total in three years and nine months	7,604	\$67,787 03

Importation by the Port of Tuxtepec.

Fiscal year of—		
1874-5.....	688	\$3,325 20
1875-6.....	1,176	5,008 21
1876-7.....	1,508	8,478 84
1877-8.....	1,835	4,921 88
	5,187	\$21,734 13

Importation by the Frontier Port (Tabasco).

	Packages.	Amount of duties.
Three months of the fiscal year of—		
1877-8.....	1,034	\$6,669 27

Importation by the New Orleans Steamers at Vera Cruz

Eight months of the fiscal year of—		
1874-5.....	5,941	\$11,796 24
Fiscal year of—		
1875-6.....	23,085	253,825 69
1876-7.....	22,928	147,393 99
1877-8.....	18,040	149,766 09

Total in three years and eight months	69,994	\$562,782 01
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Importation by the Port of Progreso.

Six months of the fiscal year of—		
1874-5.....	337	\$2,428 74
Fiscal year of—		
1875-6.....	984	4,680 13
1876-7.....	241	2,174 58
1877-8.....	28	260 39
	1,590	\$9,543 84

Importation by the Port of Campeche.

Seven months of the fiscal year of—		
1874-5.....	1,296	\$90 67
Fiscal year of—		
1875-6.....	903	832 23
1876-7.....	166	492 84
1877-8.....	.....	.....
Total in three years and seven months.....	2,365	\$1,415 74

Importation by the Port of Tampico.

Seven months of the fiscal year of—		
1874-5.....	1,004	\$3,145 53
Fiscal year of—		
1875-6.....	1,462	2,480 59
1876-7.....	5,605	42,968 29
1877-8.....	5,331	6,372 84
Total in three years and seven months.....	13,402	\$54,967 25

Importation by the Port of Tuxtepec.

Six months of the fiscal year of—		
1874-5.....	450	\$2,038 26
Fiscal year of—		
1875-6.....	1,242	8,357 64
1876-7.....	1,649	20,660 28
1877-8.....	2,472	22,235 33
Total in three years and six months	5,813	\$53,291 51

GENERAL RECAPITULATION.

Importation by New York Steamers.

	Packages.	Duties.
Vera Cruz	328,020	\$1,979,409 91
Progreso	106,741	899,005 81
Campeche	30,050	183,604 33
Tampico	7,604	67,787 03
Tuxpam	5,187	21,734 13
Frontera (Tabasco)	1,034	6,669 27
	<u>478,636</u>	<u>\$3,158,210 48</u>

Importation by New Orleans Steamers.

	Packages.	Duties.
Vera Cruz	69,994	\$562,782 01
Progreso	1,590	9,543 84
Campeche	2,365	1,415 74
Tampico	13,402	54,967 25
Tuxpam	5,813	53,291 51
	<u>93,164</u>	<u>682,000 35</u>

RECAPITULATION BY FISCAL YEARS.

Importation by New York Steamers.

	Number of packages.	Totals.	Duties.	Totals.
1872-3.				
Vera Cruz...	46,045		\$282,231 91	
Progreso	13,456	59,501	120,338 29	\$402,570 20
1873-4.				
Vera Cruz...	61,525		\$336,159 96	
Progreso	25,004		152,495 54	
Campeche ...	1,010	87,539	4,632 08	493,287 58
1874-5.				
Vera Cruz...	52,217		\$309,811 07	
Progreso	10,834		82,518 40	
Campeche ...	2,335		10,309 59	
Tuxpam	668		3,325 20	
Tampico	1,325	70,379	9,111 05	415,075 31
1875-6.				
Vera Cruz...	48,540		\$253,064 99	
Progreso	20,864		158,034 40	
Campeche ...	7,812		55,857 45	
Tampico	946		11,960 99	
Tuxpam	1,176	79,338	5,008 21	483,926 04
1876-7.				
Vera Cruz...	44,553		\$364,057 09	
Progreso	18,687		167,708 78	
Campeche ...	5,631		52,388 59	
Tampico	1,339		20,327 85	
Tuxpam	1,508	71,718	8,478 84	612,961 15
1877-8.				
Vera Cruz...	72,140		\$434,084 89	
Progreso	17,896		217,910 40	
Campeche ...	13,262		60,416 62	
Tampico	3,994		26,387 14	
Tuxpam	1,835		4,921 88	
Tabasco	1,034	110,161	6,669 27	750,390 20
Total ...		<u>478,636</u>		<u>\$3,158,210 48</u>

MEXICO, January 12th, 1879.

Importation by New Orleans Steamers.

	Number of packages.	Totals.	Duties.	Totals.
1874-75.				
Vera Cruz...	5,941		\$11,796 24	
Progreso	337		2,428 74	
Campeche ...	1,296		90 67	
Tampico	1,004		3,145 53	
Tuxpam	450	9,028	2,038 26	\$19,499 44
1875-6.				
Vera Cruz...	23,085		\$253,825 69	
Progreso	984		4,680 13	
Campeche ...	903		832 23	
Tampico	1,462		2,480 59	
Tuxpam .. .	1,242	27,676	8,357 64	270,176 28
1876-7.				
Vera Cruz...	22,928		\$147,393 99	
Progreso	241		2,174 58	
Campeche ...	166		492 84	
Tampico	5,605		42,968 29	
Tuxpam	1,649	30,588	20,660 28	213,689 98
1877-8.				
Vera Cruz...	18,040		\$149,766 09	
Progreso	28		260 39	
Tampico	5,331		6,372 84	
Tuxpam	2,472	25,871	22,235 33	178,634 65
Total ...		<u>93,164</u>		<u>\$682,000 35</u>

ADRIAN BUSTO.

778. From the preceding statement it appears that whereas the New York steamers brought to Vera Cruz during the fiscal year of 1872-3 46,045 packages, which produced \$282,231 91 in duties, the number of packages in 1877-8 was 72,140, and the duties \$432,084 89, making thus an increase of 100 per cent. in the amount of duties. This increase is much greater in other ports. In the year 1874-5 the New York steamers brought to Campeche 2,335 packages, which produced \$10,309 59 in duties, and in the year of 1877-8 the number of packages was 13,262, and the duties \$60,416 62. While in the first fiscal year to which the preceding statistics refer, which was 1872-3, the total number of packages imported by steamers from New York to Mexican ports was 59,501, causing duties to the amount of \$402,570 20; in the year 1877-8 there was an importation of 110,161 packages, and the duties were \$750,390 20. These important results have been obtained by virtue of the subsidies granted by the Mexican Government to the lines of steamers from New York and New Orleans for the purpose of increasing trade with the United States.

778. Increase of importation to Mexican ports by means of the New York steamers since 1872.

B. Abatement of the Duties by the Mexican Government on North American products.

779. The Mexican Government, considering that heavy duties on some goods may produce, among other results, the diminishing of their consumption, as has already been dwelt upon in this exposition, has always tried, whenever possible, to reduce such duties as might be considered very high on some goods coming within this category.

780. In order not to make a long list of all the goods on which important reductions of duty have been made by the present Administration, only the two last cases that have occurred will be spoken of, to wit: tobacco from the United States, and linen and cotton pocket handkerchiefs.

a. Reduction of duty on tobacco from the United States.

781. Foreign tobacco pays an import duty, according to the tariff in force, of \$1 25 per kilogramme net, which represents a rate more than the intrinsic value of the merchandise. The importation of tobacco was for some time prohibited by the Mexican tariffs, for the object of stimulating the cultivation of that leaf in certain districts of this country, for its culture and manufacture was monopolized by the Government.

782. All the Mexican States bordering on the territory of the United States are in the habit of using American tobacco almost exclusively, vulgarly called there "Virginia tobacco." The high rates of duty this tobacco has paid determined the President of the Republic to issue the decree of June 12th, 1878, in which he lowered the import duty in behalf exclusively of Virginia tobacco from the United States, from \$1 25 to 16 cents per kilogramme net.

783. The preamble and resolutions of this decree are of the following tenor:

"Department of State for the Finances and Public Credit.—Section 1st.—The President of the Republic has sent me the following decree:

Porfirio Diaz, the constitutional President of the United States of Mexico, to their inhabitants be it known: that

1st. *Whereas*, A considerable quantity of Virginia leaf tobacco is consumed in the States of Tamaulipas, Nuevo-Leon and Coahuila, and that by reason of its bearing in the tariff of January 1st, 1872, a quota of \$1 25 per kilogramme net (which duty is much more than the value of the tobacco on the American side of the Rio Bravo, it has been almost always smuggled into the country since the time the present tariff went into force; and,

2d. *Whereas*, From the official data existing in the Treasurer's office, it appears that the tobacco imported into the "Free Zone" during the three fiscal years from July 1st, 1872, to June 30th, 1875, was 631,005.76 kilogrammes, which should have produced \$788,288 17 to the revenues in duties, and that there has been no legal introduction of said article; but that, on the contrary, its price outside of the "Free Zone" is less than the amount of importation duty; and

3d. *Whereas*, The profits which the smuggling of tobacco offers has occasioned many other articles of commerce to be introduced clandestinely from the United States, to the degree that illegal traffic has come to assume alarming proportions; and

4th. *Whereas*, The objection which heretofore has been made to abating the import duty on leaf tobacco, which has been the protection of national tobacco, does not exist respecting the Virginia tobacco, inasmuch as this kind is not produced in the country, and is only consumed in the States of Tamaulipas, Nuevo-Leon and Coahuila; and

5th. *Whereas*, It is advisable to remove the incentives to smuggling by a reduction in the duties that make it lucrative, whenever this can be realized, without wounding legitimate interests that have grown up under the shadow of protective duties; and

6th. *Whereas*, It is advisable to forward the development of commercial relations between Mexico and the United States: in exercise of the powers conferred upon the Executive by the law of December 12th, 1872, I have thought it well to decree the following:

ART. 1st. On and after the 1st of November, 1878, the Virginia leaf tobacco imported into the Republic shall pay an import duty of sixteen cents per kilogramme net.

778 Increase of importation to Mexican ports by means of the New York steamers since 1872.

779. The Mexican Government has endeavored to lower import duties whenever it has been possible.

780. Two recent cases of reduction of quotas made by the Mexican Government.

781. Quota of leaf tobacco according to the tariff in force.

782. Decree of June 12th, 1878, reduced the quota on Virginia leaf tobacco from \$1 25 to 16 cents per kilogramme.

783. Text of the decree of June 12th, 1878, on Virginia tobacco.

ART. 2d. Respecting leaf tobacco, not the Virginia article, and other kinds of tobacco enumerated in fractions 761 to 767 of the 18th Article of the tariff of January 1st, 1872, the quotas established in said tariff remain in force.

Therefore, order it to be printed, circulated, and given its decree fulfillment.

Given at the Federal Palace of Mexico June 12th, 1878.

PORFIRIO DIAZ.

To the Secretary of State for the Finances and Public Credit.

MATIAS ROMERO.

I communicate it to you for the purposes thereto pertaining.

Mexico, June 12, 1878.

ROMERO.

To.....

784. It is true that one of the motives borne in mind in issuing the preceding decree was a desire to put a stop to the great smuggling that has been carried on at the frontier with tobacco from the United States, and that it was so declared in the considerations set forth in the decree, but this circumstance does not alter the practical result of the said decree, which is to reduce considerably the export duty on an article coming from the United States, for the purpose of increasing the legal trade and importation of it to Mexico.

b. Reduction of duty on Linen and Cotton Pocket-handkerchiefs.

785. Cotton and linen cloth pay in Mexico a duty equal to their invoice value, and are rated according to the material they are made of, and the number of threads in half a centimetre square, besides other circumstances of color, class, texture, etc. Handkerchiefs were rated by dozens, with duties which were in some cases higher than those on other goods of the same material, and these high duties tended, among other inconveniences, to foster the secret importation of handkerchiefs.

786. For the purpose of regulating the quotas on handkerchiefs, abating them as much as possible, and also to reduce the secret importation of those goods, the decree of June 30th, 1878, was issued, by virtue of which linen and cotton pocket-handkerchiefs are rated at the same duty as the webs of the same material in the tariff in force, that is to say, that they are made to pay by measure, as if they were common linen or cotton cloth, and not in the form of handkerchiefs.

787. To the better understanding of this subject, it is thought proper to insert the text of the decree of June 30th, 1878, which is as follows:

“Department of State for the Finances and Public Credit.

“Section 1st. The President of the Republic has sent me the following decree:

“PORFIRIO DIAZ, Constitutional President of the United States of Mexico, to their inhabitants, be it known, that:

“1st. *Whereas*, The manner in which linen and cotton pocket-handkerchiefs are rated in the maritime and frontier custom-house tariff of January 1st, 1872, is not equitable, because the relation established between the import and the dimensions of the handkerchiefs is not proportionate; and

“2d. *Whereas*, It is advisable to impose on them the same duty which other linens of the same material, not handkerchiefs, pay, on their importation into the Republic; and

“3d. *Whereas*, In imposing on handkerchiefs the same rates paid on cotton and linen cloths, a reduction is made from the duties now paid on handkerchiefs, by which it is hoped to diminish the clandestine importation which has been made of those articles up to the present time:

“In exercise of the powers conferred upon the Executive by the law of December 12th, 1872, I have thought it well to decree the following:

“Art. 1st. Fractions 52, 53, 54, 55, 56, 114, 115, of the maritime and frontier custom-house tariff are amended as follows:

“I. Fractions 52 and 55 of the 18th Article of the tariff shall read as follows:

“52 and 55. White and colored cotton handkerchiefs, bordered in the web or without border, and hemmed or unhemmed, up to 30 threads of warp and woof in half a centimetre square, 14 cents per square metre.

784. The principal object in the reduction was to enlarge the legal traffic in Mexico of tobacco of the United States.

785. The imposition of excessive duties on cotton and linen handkerchiefs caused its clandestine importation.

786. The decree of the 30th of June, 1878, regularized the duties on cotton and linen handkerchiefs, reducing them somewhat.

787. Text of the decree of the 30th of June, 1878, regarding duties on linen and cotton handkerchiefs,

"II. Fractions 53 and 56 of Article 18 of the said tariff shall be amended in the following terms:

"53 and 56. White and colored cotton handkerchiefs bordered in the web or without border, and hemmed or unhemmed, of more than 30 threads of warp and woof in half a metre square, 16 cents per square metre.

"III. Fraction 54 of Article 18 of tariff shall read thus:

"54. Handkerchiefs of cotton, embroidered or in open work, with lace fringe or without, up to fifty centimetres square, \$2 00 per dozen.

"IV. Fraction 114 of the tariff in force shall be as follows:

"114. Plain white linen handkerchiefs, stamped or with colors woven in, bordered in the web or without border, and hemmed or unhemmed, up to 30 threads of warp and woof in half a centimetre square, 16 cents per square metre.

"V. Fraction 115 of Article 18 of said tariff shall be in the following terms:

"115. Plain white linen handkerchiefs, stamped or with colors woven in, and hemmed or unhemmed, of more than 30 threads of warp and woof in half a centimetre square, 22 cents per square metre.

"Art. 2d. Mixed cotton and linen handkerchiefs shall pay a rate midway between the quotas assigned in this decree to handkerchiefs of each of those materials, according to the provisions of fraction 223 of Article 18 of the tariff of January 1st, 1872, and to the decree of the 18th instant.

"Art. 3d. The provisions of this decree shall take effect on and after the 1st of November, 1878.

"I, therefore, order it to be printed, circulated and given its due fulfillment.

"Given at the Federal Palace of Mexico, July 30th, 1878.

"PORFIRIO DIAZ.

"To the Secretary of State for the Finances and Public Credit.

"MATIAS ROMERO.—Present."

"I communicate it to you for the purposes thereto pertaining. Mexico, July 30th, 1878.

"ROMERO.—To....."

788. It is true that up to this time but few handkerchiefs have been imported from the United States to Mexico, but it should not be ignored that the importation of this article is one of those of larger future, and that, therefore, the decree abating so considerably the quota on cotton and linen pocket-handkerchiefs cannot but be highly favorable to the development of commerce between Mexico and the United States.

789. In order not to extend this labor too much, all the cases will not be quoted of exemption of duty or abatement of duty, granted in favor of North American productions, for the purpose of increasing commerce between the two countries.

C. Growth of Commerce according to Reports of United States Consuls in Mexico.

790. A slight examination of the last publications of the United States Department of State, under the title of "Annual Report of Commercial Relations between the United States and Foreign Nations," in which are given the Reports of their Consuls, will demonstrate the growth which commerce is taking between Mexico and the United States.

a. Report on Commercial Relations between the United States and Foreign Nations for the year ending September 30th, 1873.

791. Mr. S. T. Trowbridge, United States Consul at Vera Cruz, said, in a communication directed to the United States Department of State, dated at Vera Cruz, September 30th, 1873, no reference to the exportation of Mexican articles to the neighboring nation, as follows (page 865 of the said Report):

.... "An indication of the increase of exportation is the larger production of coffee and vanilla. Four years ago the total of coffee exported to the United States did not come to \$1,000, while it now amounts to \$299,942 02. This is an example of energy, enterprise and development, worthy of the praise of greater and more forward nations. Four years ago its products were comparatively insignificant, now it modestly merits a crown. In regard to exportations to the United States, coffee is the chief article.

"Vanilla is being cultivated very extensively in the consular district of Tampico, in Tuxpam and its environs; and in the latter port it is shipped abroad. Although the exportation for the United States amounted to \$221,-

788. Relation of the reduction of duty on handkerchiefs to the commerce between Mexico and the United States.

789. Abatements and exemptions of duty on the importation of various North American articles.

790. Report on the increase of commerce between Mexico and the United States, according to the official publication of that country.

791. Communication of the United States Consul at Vera Cruz on the exportation of Mexican articles in 1873.

393 91, it is almost certain that three times the quantity was shipped to Europe. I know of a cargo destined for France amounting to \$400,000."

792. Mr. Martin F. Hatch, United States Consul at Progreso, said in a communication directed to the United States Department of State, dated November 1st, 1873, in reference to effects exported to the United States, as follows, (Report on commercial relations between the United States and foreign nations for the year ending September 30th, 1873, page 843):

"Exportation consists principally, as shown by Department B, in henequen (hemp) 4,872,850 lbs., \$279,048 06; hides, 127,400 lbs., \$41,405; rope, 767,708 lbs., \$79,154 12; deer skins, 89,403 lbs., \$35,930 62, and other products of the country amount to \$507,401 30. It will be seen that in Yucatan the principal article of exportation is henequen; the United States being the only market in which it finds an easy sale. Various shipments have this year been made to England, France and Germany, and in every case the exporters have suffered loss. Probably the exportation to the United States will in a few years have increased considerably."

793. The United States Consul at San Blas, Manuel Garfias, said to the Department of State, in a communication dated September 30, 1873, regarding the importation of articles from the United States into that consular district as follows, (Annual Report of commercial relations between the United States and foreign nations for the year ending September 30th, 1873, page 851):

"It can be observed that respecting the commerce between San Blas and San Francisco and the western ports of the United States, or directly to Upper California, that it has gradually increased for some months past on this part of the coast during peace; and the importations consist in—

1st. Fermented and spirituous liquors, whale oil and petroleum, amounting at cost price to	\$19,584 00
2d. Machinery and hard coal for the same, employed in the cotton factories established in this district and in Guadalajara, being at cost price.....	6,000 00
3d. Looms for cotton, wool and silk, ready-made clothing and other effects of less importance, to the value of.....	90,000 00
4th. Wheat flour and other provisions of this kind, to the amount of.....	17,235 00

It results, consequently, that the importations of the above-mentioned articles, during the time from the 1st of May to the 30th of September of the present year, amount to.....\$132,819 00
The cost of freight charged by American vessels is from \$10 to \$15 per ton."

794. In regard to the exportation of Mexican effects to the United States the Report referred to says as follows:

"The products of the country exported to the United States are, cedar wood in pieces, skins, metal in bars and coined money. There are many other products that might be exported on a large scale, cultivated by industrious hands like those of our citizens; for there is no doubt that this part of Mexico promises, with the help of immigration, to attain a higher degree of material progress, on account of its pure climate, the fertility of its land, and its rich mines of silver and gold, which are not now worked for want of capital. The great probability that the commerce of this port will grow, and perhaps the only probability, depends upon the beginning of Mr. Plumb's railroad, which will begin in 1874.

b. Report of the commercial relations between the United States and Foreign Nations, for the year ending September 30th, 1875.

795. The United States Consul-General in Mexico, Dr. Julius A. Skilton, in his report addressed to the United States Department of State, dated in this capital December 16th, 1875, says, respecting the exportation of Mexican products to the United States, as follows, (Annual Report of Commercial Relations between the United States and foreign nations, for the year ending September 30th, 1875, page 1117):

"Coffee.—The crop this year in Cordoba, Michoacan and Colima will reach 8,000,000 lbs.; its cultivation is popular, requires but little labor, and is not exposed to accidents. In my report for the preceding year I gave some details about coffee which it is impossible to repeat now for want of space. The Cordoba coffee is worth to-day in this city 23 cents per pound. The exportation of coffee through Vera Cruz in 1874 was \$543,352 70; in 1875, \$678,517 73, the increase in 1875 being \$235,165 03. The harvest of the Pacific coast is for the consumption of the country."

792 Communication from the United States Consul at Progreso, November 1st, 1873, on the same subject.

793. Communication from the United States Consul at San Blas on importation of North American articles.

794. Communication from the same Consul on the exportation of Mexican articles to the United States.

795 Report of the United States Consul-General in 1875 on the exportation of Mexican products.

796. Mr. S. T. Trowbridge, United States Consul at Vera Cruz, in his report to the United States Department of State, September 30th, 1875, said respecting the exportation of Mexican effects to the United States, as follows, (Annual Report of Commercial Relations between the United States and Foreign Nations, for the year ending September 30th, 1875, page 1146):

"The number and quantity of the invoices of articles sent to the United States has increased considerably. In 1874 there were 364 invoices, amounting to \$1,169,251 59, and in this year 477 invoices, amounting to \$1,427,947, an increase of 113 invoices, to a value of \$258,695 86."

c. Report of Commercial Relations between the United States and Foreign Nations, for the year ending September 30th, 1876.

797. Dr. Julius A. Skilton, Consul-General of the United States in Mexico, in a communication addressed to the United States Department of State, dated in this capital December 25th, 1876, said the following in reference to the exportation of Mexican articles, Annual Report of the Commercial Relations of the United States with Foreign Nations, for the year ending September 30th, 1876, page 743):

"*Sugar.*—By the adjoined detailed statement it will be observed that in the last year there has been a great increase in the exportation of this article through Vera Cruz, compared with preceding years, either for the United States or for Europe, and especially for England, which appears to be the favorite market for this article, for the duties are much less than in the United States."

"*Mexican Madder.*—The root which produces this coloring matter, and which until now has been almost unknown in the Republic, is commencing to attract the attention of the chemists, botanists and physicians. The until now limited consumption of this root in the preparation of medicines proves that it was little appreciated, and the little use made of it by the Mexican in dyeing shows that they are behind hand in the arts. It produces firm, rich, brilliant and varied dyes, combined with certain ingredients. This root, which has been imported already from Asia to Europe, produced annually in France alone \$4,000,000. It is found in the Cordillera of mountains to the south of Morelia, and is known by the name of 'root for dying wool.'

"*Tobacco.*—This product in later years has been improving gradually in quantity and quality, and the consumption of segars and cigaretts has increased also, owing to the superior class of leaf employed in their elaboration. The better classes are those from Vera Cruz, and some of them compete favorable with those of Havana.

"Leaf-tobacco is sold in the capital at the rate of \$3 50 to \$7 per arroba (25 lbs.), according to quality. Segars made of choice tobacco are bought at the rate of \$40 per thousand; while those of an inferior class are much cheaper. Large quantities of them are exported to the United States and Europe."

d. Report on Commercial Relations Between the United States and Foreign Nations, for the Year Ending September 30th, 1877.

798. Dr. Julius A. Skilton, United States Consul-General in Mexico, in his report to the United States Department of State, dated at this capital December 30th, 1877, says, respecting the commerce of Mexico with the United States, as follows, (Annual Report of Commercial Relations of the United States with Foreign Nations, for the year ending September 30th, 1877, pages 716 and 717):

"To indicate the measures which might be taken to facilitate and develop trade in American goods and manufactures, I give, in continuation, an extract from a report sent me lately by the representative of one of the principal exporting houses of New York: 'The very high rates of freight charges by the Alexandre Steamship line from New York to Mexico is a serious impediment in the way of establishing an export trade from the United States to the Mexican Republic.' I have met with this great obstacle personally, which not only affects light articles but heavy articles as well. The rate of freight from Liverpool to Vera Cruz is so low that it is impossible to pay that to which I refer. If the United States could or would subsidize this line for one or two years, until the nucleus of a great trade could become established, but on the condition of reducing the cost of freight to at least one-half its present rate, it would be a great advantage to exporters. It would also be a great benefit to the commerce of the United States, that the Government should adopt a liberal policy toward vessels that undertake the establishment of export trade from the port of New York to other Atlantic ports."

799. Mr. J. J. Thibault, United States Consul in Tuxpam, in a communication addressed to the United

796. Report of the United States Consul at Vera Cruz in 1875, on the exportation of Mexican effects to the United States.

797. Report of the United States Consul-General in Mexico, in 1876, on the importation of Mexican articles.

798. Opinion of Consul Skilton on the subsidizing of a line of steamers from New York to Vera Cruz.

799. Communication from the United States Consul at Tuxpam on the trade of Tuxpam with the United States and with Europe.

States Department of States, dated at Tuxpam, September 30th, 1877, says, in reference to the trade of Tuxpam with the United States and with Europe, as follows, (Annual Report of Commercial Relations of the United States with Foreign Nations, for the year ending September 30th, 1877, pages 748 and 749):

"It is a great satisfaction to me to be able to inform you that there has been a great increase in the commerce between the United States and the port of Tuxpam, and in consequence a diminution of the trade with Europe. To prove this difference I copy part of my report of 1874, as follows:

"Exportation for Europe in 1874, \$43,849; exportation to the United States in 1874, \$89,149 56; total, \$132,998 56. Importations from Europe in 1874, \$65,815 45; importations from the United States in 1874, \$34,925 31; total, \$100,740 76.

"Exportation from Tuxpam for the year ending September 30th, 1877, \$164,843 94; total exportation in 1874, \$132,998 56; proving an increase in favor of 1877 of \$31,845 38.

"Of the \$132,998 56 exported in 1874, there were, as above stated, for Europe, \$43,849; for the United States, \$89,149 56; total, \$132,998 56.

"Of the \$164,843 94 exported in 1877, there were for Europe, \$15,470; for the United States, \$149,373 94; total, \$164,843 94. Demonstrating for Europe, in 1874, \$43,849; in 1877, \$15,470, a diminution in the European trade of \$28,379, and an increase in exportation for the United States of \$60,224 38.

"The import trade shows results equally favorable for the United States, although there is a slight diminution in the amount total of direct importations, owing to goods being brought from Vera Cruz, at which port they are imported. Total importation from the United States and from Europe in 1874, \$100,740 76; in 1877, \$97,819 23; diminution in 1877, \$2,921 53. From Europe in 1874, \$65,815 45; in 1877, \$11,680 99; being a diminution in 1877 of \$54,134 46, and an increase for the United States of \$51,212 93."

800. It appears unnecessary to quote from further reports given by American consuls in Mexico to their Government, and which demonstrate that there is a progressive increase in the commerce between the two countries.

13. METHOD OF INCREASING COMMERCE BETWEEN MEXICO AND THE UNITED STATES.

801. After what has been shown, up to this point, with reference to trade between Mexico and the United States and to the difficulties with which it has had to deal to its present condition and to its future, very little remains to be said respecting the means which ought to be taken to promote its development, because the principal of these have already been indicated in the preceding considerations.

802. It is clear that the importation of foreign goods to Mexico cannot increase to any considerable degree, except in the increase of the production of exportable effects. If Mexico should go on exporting goods only to the value of \$30,000,000 per year, for example, it could import no larger quantity of foreign merchandise, for it would not have the wherewith to pay the value of what might exceed that sum.

803. It would also be very difficult, without increasing the amount of exportations from Mexico for the United States, to succeed in increasing considerably and quickly its commerce with us, raising it from about \$7,000,000, its present amount, to \$20,000,000, for example, and taking the place of European nations which have a trade already established with Mexico, which dates many years back, and for which they have made special study and effort. It appears, therefore, clear that the only efficacious and possible way of increasing this trade would be to forward the increase of production in Mexico, and if this impulse were caused by North American capital or enterprise, it is certain that the citizens of the United States would reap the benefit of the proportional increase of importation which would result, and that in the course of a short time they would come to have a much more important commerce with Mexico than that of European nations.

804. The production in Mexico of exportable articles can be greatly forwarded in two ways: by developing mining and by the cultivation of tropical plants. We will here, then, speak specially of each one of the following points relating to the manner of enlarging the commerce between Mexico and the United States:

- A. Development of mining in Mexico.
- B. Development of the production of tropical fruits in Mexico.
- C. Increase of the exterior commerce of Mexico, its elements of wealth once being developed.
- D. The United States Government has done very little to increase its commerce with Mexico.
- E. Celebration of a reciprocity treaty between Mexico and the United States.

800. Other reports, equally demonstrate, that there is a progressive increase in the commerce of Mexico with the United States.

801. Proper measures for increasing trade between Mexico and the United States.

802. Importation in Mexico cannot increase without the increase of exportation.

803. North American capital can be invested profitably in bringing out the natural wealth of Mexico.

804. Manner of forwarding the production of exportable articles in Mexico.

A. Development of Mining in Mexico.

805. In respect to mining, it has already been shown, in another part of this exposition, that the annual production in the declared condition in which this industry is, for various causes which it would not be opportune to enumerate here, but which will be indicated on speaking especially of mining, is hardly from \$20,000,000 to \$25,000,000 per annum, and that given the impulse of an increase of capital to work with, this industry could reach annually as high as \$100,000,000, and perhaps even to \$150,000,000.

806. In fact, when it is borne in mind that the State of Nevada, with mining elements inferior to those of Mexico, has been able to produce as high as \$100,000,000 in one year, it will not appear in exaggeration to say that the Mexican nation, so prodigiously endowed by nature with an infinitude of mines extraordinarily productive, and having elevated laws, might produce \$100,000,000 to \$150,000,000 per annum.

807. The impulse import trade would receive, the mineral production of the country once increased to \$100,000,000 per year, will be easily understood, for it is certain that a considerable part of that large sum would necessarily have to go out of Mexico to pay for the many effects which would be needed, as well for the working of the mine and for the assay of the metals, such as machinery, instruments, quicksilver, etc., as for those employed in laboring in the mines, or for the use and convenience of the clerks and owners of the mines. It is equally clear that if the capital were North American, which should impel this considerable increase in the mineral production of the country, it would be a natural consequence that, in the increase of the importation of foreign goods, occasioned by such increase of mineral production, manufactures from the United States would be preferred, for reasons so obvious that it is not considered necessary to indicate them here.

808. It is true that to attain the result of foreign capital coming to be invested in mining enterprises in Mexico, it is indispensable to modify the legislation in force relating thereto; but this and other matters bearing upon the important question of mining will be spoken of afterwards, upon treating in a special manner of the mining industry of Mexico.

B. Developments of the production of Tropical Fruits in Mexico.

809. Another no less efficacious, and perhaps a more certain method of increasing the production of exportable articles in Mexico, is to forward the cultivation of tropical fruits, among which coffee and sugar occupy the most prominent place. The future of these two industries may, without any exaggeration, be considered equal to that of mining.

a. Cultivation of Coffee in Mexico.

810. The Honorable John W. Foster has made a special study of coffee cultivation in Mexico, which was published by the Department of Agriculture at Washington, with its monthly report for July, 1876, and which shows that he has given to this branch of our agricultural industry the importance it holds, not only as regards the facility of the production of coffee in Mexico, but also in respect to the manner in which the increase of this production would develop commerce between the two countries.

811. In effect, according to the data comprised in the said work, the total production of the coffee crop in 1874 was estimated at 900,000,000 lbs., of which the United States consumed, in 1875, 317,970,665 lbs., or more than a third part of the total crop. The consumption of coffee has risen very rapidly from \$20,000,000, which it amounted to in 1856, to \$50,000,000, which it reached in 1875.

812. That important study, after showing the great facilities the Republic possesses for the production of coffee, the low price of land suited to its culture, and the different places yielding a superior quality of this fruit, concludes with the following estimation of the future of coffee in Mexico:

“During the three last centuries Mexico has been famous for its great production and exportation of silver and it possesses in coffee alone a fountain of greater production, wealth and prosperity. Its natural capacity for the production of coffee is at least equal to that of Brazil, notwithstanding which the value of the coffee annually exported from Brazil is more than three times greater than the value of the gold and silver produced in Mexico.”

813. In the speech delivered by the Hon. John W. Foster, before the New Orleans Chamber of Commerce,

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- 805. Possible increase of mining production in Mexico.
 - 806. Comparison of the mineral wealth of the State of Nevada, in the United States, with that of Mexico.
 - 807. Increase of importation a natural consequence of an enlarged production of exportable articles.
 - 808. Necessity of reforming Mexican legislation in that part relative to imports on mining.
 - 809. The cultivation of coffee and sugar may give as favorable results as those of mining.
 - 810. Study made by the Hon. John W. Foster on the cultivation of coffee in Mexico.
 - 811. Data on the total production of coffee in 1874, and on the consumption of it in the United States in 1856 and 1875.
 - 812. Estimations of Mr. Foster on the preference which ought in Mexico to be given to the cultivation of coffee.
 - 813. Reference to coffee by Mr. Foster in his speech in New Orleans, November 18, 1875.

November 18th, 1875, which has already been spoken of in other parts of this exposition, he spoke also of coffee; but as his observations on this point are mixed up with those referring to the production and future of sugar in Mexico, and most of them refer to this subject, they will be made use of on treating of sugar.

814. In reference to the important subject of the cultivation of coffee in Mexico, it is proper to reproduce here what was said by the Secretary of the Treasury on the future of this industry, in a verbal report rendered before the Chamber of Deputies of the 9th General Congress, upon discussing the proposed law on the exemption of duty on foreign printing paper, because in the Report are set forth the principal facts relating to this subject.

815. The Report referred to says on this subject as follows: "The cultivation of coffee is one of the most lucrative kinds of business that can be undertaken. Doing it with suitable land and climate, and under good conditions, and where labor is not very high, it can be assured that it is equivalent to obtaining, five years after the plantation has been made, which is the time necessary for the bush to develop itself and produce its fruit, a profit every year equal to the capital invested in its cultivation during the five years; or, in other words, the annual profit is a hundred per cent. on the capital invested in the plantation. This cultivation is within the reach of persons of all degrees of intelligence and of fortune, for it does not need any special knowledge, or machinery, or costly apparatus difficult to use, as happens respecting the elaboration of sugar.

"On the other hand, the use of coffee has become so generalized in the world, that the demand is increasing daily, while the production appears to have arrived at its greatest development, all of which assures beyond all danger the good price of coffee in the future.

"In order to comprehend what coffee would be able to do for Mexico, it is sufficient to consider what it has done for Brazil. Brazil occupies a position in South America resembling that of Mexico in the northern hemisphere. The territorial extent of both nations differed but very little before the dismemberment Mexico suffered on account of the treaty of Guadalupe, Hidalgo, February 2d, 1848, which terminated our war with the United States of 1846-7. The population of Brazil does not exceed 10,000,000 inhabitants, the same that Mexico has now. Brazil, which has also lands very favorable for coffee, although the quality of the coffee it now produces is not very good, commenced to cultivate this fruit at the beginning of this century. Its coffee exportation in 1821 was 105,386 sacks of 160 English pounds, which gives a weight total of 7,528 English tons. This product went on progressively increasing; in the ten years from 1821 to 1830 it exported, on an average, 18,546 tons per year; in the ten years following, from 1831 to 1840, the annual exportation was, on an average, 48,532 tons; in the ten years from 1841 to 1850, Brazil exported 96,907 tons per annum; and in the ten years from 1851 to 1860, the exportation was 143,671 tons per annum, on the average. The production, therefore, has been almost duplicating itself in each decade.

"The following statement demonstrates the annual production of coffee in Brazil in sacks and English pounds:

Exportation of Coffee from Rio Janeiro.
In sacks of 160 lbs.

Year.	Sacks.	Tons.		Year.	Sacks.	Tons.	
1821	105,386	7,528	In ten years, from 1821 to 1830, 2,596,509 sacks, or 185,465 tons. Average per year, 259,651 sacks, or 18,546 tons.	1845	1,187,591	84,828	tons. Average per year, 1,356,703 sacks, or 96,907 tons.
1822	152,048	10,861		1846	1,522,434	108,745	
1823	185,000	13,214		1847	1,650,300	117,879	
1824	224,000	16,000		1848	1,706,544	121,896	
1825	183,136	13,081		1849	1,451,715	103,694	
1826	260,000	18,571		1850	1,392,361	99,455	
1827	350,900	25,064		1851	1,993,255	142,375	
1828	369,147	26,368		1852	1,899,861	135,704	
1829	375,107	26,793		1853	1,640,179	117,155	
1830	391,785	27,985		1854	1,986,224	141,873	
1831	448,249	32,018	In ten years, from 1831 to 1840, 6,794,424 sacks, or 485,316 tons. Average per year, 679,442 sacks, or 48,532 tons.	1855	2,409,265	172,090	In ten years, from 1851 to 1860, 20,113,999 sacks, or 1,436,- 712 tons. Average per year, 2,011,400 sacks, or 143,671 tons.
1832	478,950	34,211		1856	2,100,313	150,022	
1833	561,692	40,121		1857	2,097,449	149,818	
1834	561,759	40,054		1858	1,833,416	130,958	
1835	647,438	46,245		1859	2,031,412	145,101	
1836	715,893	51,135		1860	2,122,625	151,616	
1837	657,005	46,929		1861	2,034,494	145,321	
1838	766,696	54,764		1862	1,486,207	106,158	
1839	889,324	63,523		1863	1,312,903	93,779	
1840	1,068,418	76,316		1864	1,495,697	106,835	
1841	1,028,368	73,455	In ten years, from 1841 to 1850, 13,567,029 sacks, or 969,074	1865	1,792,504	128,036	In 7 years, from 1861 to 1867, 12,573,609 sacks, or 898,115 tons. Average per year, 1,796,230 sacks, or 128,300 tons.
1842	1,174,689	83,906		1866	1,867,312	133,379	
1843	1,183,641	84,546		1867	2,584,493	184,607	
1844	1,269,386	90,670					

814. Opinion of the Secretary respecting coffee, expressed in the Chamber of Deputies, October 31st, 1878.

815. Text of that part of the Report of the Secretary of the Treasury referring to the cultivation of coffee in Mexico.

"In the year 1867, which is the last comprehended in these data, taken from a folio published in Amsterdam in the German language by Father Schoffner, entitled '*The Coffee Trade*,' the production of Brazil, was 2,584,493 sacks of 160 lbs., making a total weight of 184,607 English tons, which, reduced to Mexican pounds, make a total of 4,076,477 Mexican *quintals*, which, at the minimum price of \$10 per *quintal*, which it commands in the place of production, represent a value of \$40,764,770 in one year only, that is to say, almost double the annual average from our mines.

"I desire, gentlemen, for my country a like production, which in a short time would enrich it greatly, and soon bring it up out of the state of prostration it is now in.

"But, would it be possible, as has been suggested by some of those who support the opinion, that all the Mexicans, or at least those who are now employed in the production of paper, would devote themselves to the cultivation of coffee? Would to God this were practicable, but I believe this is only an illusion.

"The principal portion of the Mexican population live in the high lands, which are the most healthful because cold; our hot and temperate lands, which are best adapted for coffee and other fruits of good foreign demand, are almost unpopulated. It is not easy, it is almost impossible, to transfer laborers from the cold lands, where they already have their homes, their families and friends, whether they get their living in the paper industry or any other way, to the hot lands, the climate of which they fear greatly, because they are there exposed to the diseases of acclimation, and to all the inconveniences consequent to those climates, as is well known by those who have lived in them, although by that change they should greatly better their present condition. The inevitable consequence would then be, that, the paper factories being closed, there would probably not be a single one of those now working in them who would go to the coast to cultivate coffee, but would remain in the place where they now live, even though they had nothing to look forward to but poverty, misery and death.

"The circumstance that our population live in the cold lands is the principal obstacle in the way of an immediate development, and on a great scale, of coffee cultivation in Mexico; and this very circumstance explains also the cause of the great development it has reached in Brazil; for, to the contrary of Mexico, the great mass of the population there live on the coasts and the hot lands. The capital of Brazil is on the sea, and is one of the best ports of the world, while our capital is more than seven thousand feet above the level of the sea, and more than 400 kilometres from our principal port."

816. Coffee has been exported from Mexico since 1802, according to the data published in "The Exterior Trade of Mexico," by Don Miguel Lerdo de Tejada, which is inserted in continuation, it being understood that in the years not mentioned in the following statement there was no exportation of that fruit.

Years.	Quintals of Coffee.	Value in Dollars.
1802.....	272	\$4,360 00
1804.....	493	12,066 00
1809.....	336	5,040 00
1813.....	No data.	.....
1814.....	"	.....
1815.....	"	.....
1820.....	"	.....
1821.....	"	.....
1825.....	33	528 00
1828.....	20	240 00
Total.....	1,154	\$22,234 00

b. Cultivation of Sugar in Mexico.

817. As much more can be said respecting the production of sugar in Mexico; there are a multitude of places in this country which grow sugar cane at a small cost, and in which the plant lasts for several years without the need of replanting, and others in which no irrigation even is necessary, in which the production of sugar would be lucrative, as well for the extent of the territory as for the abundance of the population, if there were cheap roads to transport the sugar to the coast. Mexico has elements for the production of sugar very superior to those of the Island of Cuba, and it will be easily understood what an impulse would be given to its production, and to the consequent increase of public wealth and to importation in Mexico, if the building of roads and the investment of capital should permit this important branch of wealth to be developed to its full extent.

816. Exportation of coffee since 1802, according to data published by Sr. Miguel Lerdo de Tejada.

817. Facility for the cultivation of sugar in Mexico, and the influence it may exert in the future of the country.

818. In reference to the cultivation of coffee and sugar in Mexico, and their future in the development of the country, the Hon. John W. Foster, in his speech before the Chamber of Commerce of New Orleans, November 18th, 1875, made the following judicious observations :

"The coffee imported to the United States in 1874 amounted to \$55,000,000, or in weight 288,000,000 lbs. The value of coffee imported in 1863 amounted to only \$10,000,000, its increase being constant up to this date, which indicates the great importance which this trade must have within a few years.

"The importation of sugar and molasses during the same period amounted to \$89,500,000 ; in quantity, 1,201,500 tons. It results, therefore, that in order to obtain these articles the United States send abroad annually \$144,500,000, almost all in kind ; for our export commerce with Cuba and Brazil, from whence these products principally come, is comparatively insignificant.

"Our importations from Cuba for the past year reached \$86,272,000. That island has a population of a million and a-half of inhabitants, and an area of 47,000 square miles. Mexico has an area of 750,000 square miles, and a population estimated at 9,000,000 inhabitants.

"In all the coast of the Gulf of Mexico, from the level of the sea up to an elevation of 4,000 feet, in the sinuosities of the sierra and a great part of the Pacific coast, there is an abundance of the best quality of land for the cultivation of sugar cane.

"In the States of Tamaulipas, Vera Cruz, Campeche, Tabasco and Yucatan these lands are plentiful and cheap ; the cane is superior in saccharine matter, abundant in its growth and is unrivalled for rendering its production in a short time, and for its duration without necessity of replanting.

"The consular agent in Tuxpam, State of Vera Cruz, in his Report given to the Department of State, tells that, in that district, sugar cane lasts from fifteen to twenty years without replanting ; that it grows from 18 to 20 feet in height, and that every acre, in spite of bad cultivation, gives from 2,000 to 5,000 pounds of sugar.

"In the greater part of the country where I have said sugar can be cultivated, coffee can also be cultivated with the best success, especially in the sinuosities of the cordillera of mountains that extend along the coast of the Gulf, as well as in the slopes of the Sierra Madre, in a longitude of nearly 2,000, to which the Mexican cordillera extends ; and the coffee of Colima has been classed as superior in quality to any other in the world. It is at present only cultivated on a small scale and sold at an exorbitant price. Although coffee has been cultivated for a century in Mexico, this has only been done in small quantities, and exclusively for interior consumption.

"During the last few years small remittances have been sent abroad, principally to New York, and have been so lucrative that a great impulse has been given to this industry. The principal locality in which it is cultivated now is the State of Vera Cruz, having for a centre the Valley of Cordoba.

"Consul-General Skilton, in his commercial report of 1874, estimates the amount of the coffee crop for the year at \$1,000,000, and adds that 'it can be increased to \$100,000,000 with a comparatively small amount of capital and a larger spirit of enterprise.'

"In my opinion no Mexican enterprise offers larger inducements than the cultivation of coffee. In the State of Vera Cruz, as well as in many other parts of the Republic, cheap fertile lands can be bought, specially adapted for this cultivation, and as an additional attraction, the elevation above the sea, at which coffee meets with the best success, assures in Mexico a climate always equal, an eternal spring, and vegetation that never withers."

819. Regarding this subject it is thought proper, also, to insert what the Secretary of the Treasury stated to the Chamber of Deputies October 31st, 1878, on rendering a verbal report respecting a proposed law, voted on that day, which moved the exemption of duty on the importation of foreign printing paper, and in which report the point was touched upon of the celebration of a reciprocity treaty with the United States. In said report he said on this subject as follows :

"One of the articles produced in this country, and of larger future, is sugar ; but it cannot now be exported because there are other places in which it is produced at a less cost than in Mexico. In the Island of Cuba, for example, which is the nearest country to Mexico, where the production is the largest, we find that through the enjoyment of low freights (for the island is crossed by railways, and the sugar estates are either near the sea or on the railways), through large capital employed in the production of sugar, which always cheapens the cost of production, and through the existence there of the odious institution of slavery, which makes labor so much lower than when the laborer is free, sugar costs less, put in the market of Liverpool or New York, than the

818. Observations of Hon. John W. Foster on the cultivation of sugar and coffee in Mexico.

819. Fragment of the speech of the Secretary of the Treasury, October 31st, 1878, on the cultivation of sugar.

Mexican sugar, which has to contend with many great inconveniences and heavier expenses. The production, for example, of the sugar estates in the State of Morelos have to pay a relatively high freight to Chalco. There the sugar is transferred to canoes, which bring it to the capital; here it has the expense of commission and storage, and afterward the heavy railroad freight from the capital to Vera Cruz, where, until the public are allowed the use of the iron pier, it undergoes another commission, storage, and a very expensive shipment.

"These expenses make it so that sugar from the interior of Mexico cannot compete in foreign markets with sugar produced in other countries. The estates situated on the coast or in places near the coast can ship their goods, but it is not the same with those situated in the interior; the essays that have been made up to this time have not given good results. This unfavorable situation may change suddenly to the great advantage of the nation, if we should come to celebrate a reciprocity with some one of the manufacturing powers, consumers of sugar, like the United States, for example, by virtue of which our sugar should be received free of duty in exchange for our receiving free of duty, also, some of their manufactures, among which might be included paper; the difference of duties would cause our sugar to be sold to the great advantage of our husbandmen, and it would augment greatly the productions of sugar in Mexico, to the positive benefit of the nation. This difference in duties would permit us to compete with Cuban sugar in the United States, and even with beet sugar in some of the European markets.

"Sugar pays heavy import duties in the United States and in various European nations, because, notwithstanding that it is an article of prime necessity of life, those nations need a revenue to live, and this product forms in various parts one of the principal sources of increase. Sugar of the grade of brown (moscabado), which has been exported by our husbandmen, pays in the United States about five cents per pound duty, if I am not misinformed. If sugar, then, should succeed in being imported there free of duty, it would be equivalent to granting a premium of five cents per pound on it, and this would not only permit it to contend advantageously with Cuban sugar, but it would afford a rich profit to our husbandmen. By means of this system the production of sugar has been developed in an extraordinary manner in the Sandwich Islands, as I have already stated.

"In order to calculate, also, what the development of sugar culture can do for Mexico, it is sufficient to bear in mind that the Island of Cuba, with a population which does not come up to 2,000,000 of inhabitants, exports to the value of nearly \$80,000,000 annually, and among the products forming this large exportation, the product of the cane figures in the first place, and almost for three-quarter parts."

820. In the data gathered by Sr. D. Miguel Lerdo de Tejada, in his work entitled "*Exterior Trade of Mexico*," sugar appears as an article of exportation in the commerce of the colony with its metropolis from the year 1761; for the fleet which came in that year, under the command of Lieut. General D. Carlos Reggio, carried to Spain on its return 3,986 arrobas of sugar, to the value of \$7,972, shipped at Vera Cruz.

821. The necessary data are not existing to know the increase or diminution of the exportation of sugar in all the years since 1761, but the statement inserted in continuation show the data of the mercantile balances published in the work quoted of Sr. Lerdo de Tejada:

Years.	Arrobas.	Value.
1761.....	3,986	\$7,972
1763.....	19,274	28,912
1766.....	23,487	49,974

822. Since the year 1766 the balances do not express the quantities of sugar exported, probably on account of the imperfectness with which these notes were formed. In the year 1796 it again figures as an article of exportation, not only in the commerce with Spain, but also with other foreign countries.

823. The following statement, taken also from the data set forth by Sr. Lerdo de Tejada in his work entitled "*Exterior Trade of Mexico*," shows the quantities of sugar exported from 1796 to 1820, it being understood that in the years omitted there appears to have been no exportation:

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820. Exportation of sugar from Mexico, in 1761, according to date of Sr. Miguel Lerdo de Tejada.
 821. Exportation of sugar from 1763 to 1776, according to data of Sr. Miguel Lerdo de Tejada.
 822. There are no data existing of the exportation of sugar from 1776 to 1796.
 823. Notice of the exportation of sugar from 1796 to 1820.

Years.	Trade with Spain.		Foreign Trade.	
	Arrobas.	Value in Dollars.	Arrobas.	Value in Dollars.
1796.....	346,361	\$1,347,231	.....	.....
1797.....	60,835	159,834	.....	.....
1798.....	70,568	212,691	.....	.....
1799.....	150,881	479,062	.....	.....
1800.....	87,570	287,277	.....	.....
1801.....	9,148	25,157	.....	.....
1802.....	431,867	1,454,240	.....	.....
1803.....	483,944	1,495,056	.....	.....
1804.....	381,509	1,097,505	.....	.....
1805.....	.....	.....	37,332	\$93,347
1806.....	25,857	64,642	75,862	189,655
1807.....	5,288	13,220	60,236	173,090
1808.....	19,917	39,834	39,280	78,560
1809.....	241,246	482,492	.....	.....
1810.....	119,726	269,383	.....	.....
1811.....	95,016	237,540	.....	.....
1812.....	12,236	30,575	.....	.....
1813.....	7,657	19,142	.....	.....
1820.....	7,100	24,850	.....	.....
Total...	2,565,726	\$7,739,731	221,710	\$534,652

824. Mexican sugar destined for exportation was that which was produced in places immediate to Vera Cruz and principally in Cordoba, where this industry came to acquire large proportions during the last years of the colonial regimen, for in 1803 its export came to \$1,500,000. Slavery existed then in New Spain, and the sugar estates were worked principally by African slaves. Slavery being abolished in Mexico by the decree of January 10th, 1822, the estates of Cordoba received a death blow, and the production of sugar ended completely in that fruitful district; notwithstanding this, the exportation of Mexican sugar still continued until the year 1828, although decaying every day.

825. The exportation of sugar from 1824 to 1828, there appearing to be none in 1823, appears in the following notice taken from the data of the quoted work of Sr. Lerdo de Tejada :

Years.	Arrobas.	Value in Dollars.
1823.....	.....	.....
1824.....	6,024	\$18,072 00
1825.....	3,564	8,292 00
1826.....	256	615 00
1827.....	19,952	44,863 00
1828.....	7,620	17,835 00
Total.....	37,416	89,677 00

c. Production of other Fruits in Mexico.

826. Coffee and sugar are not the only articles the culture of which has a large future in Mexico. There are a multitude of other productions that have a similar future.

827. The Hon. John W. Foster, in his speech delivered before the Chamber of Commerce of New Orleans, November 18th, 1875, said, in reference to the production of henequen and other tropical fruits, as follows :

"Next in importance to the two articles mentioned, are the tropical fruits, the consumption of which is already enormous in the United States, and the demand for which is increasing rapidly every year. Mexico produces them of almost an indefinite variety, of superior quality and in great abundance, near the coast and in all its ports. If there were direct and rapid communication with Galveston and New Orleans, all the south and west

824. Development of sugar culture in Mexico during the last years of the colonial regime.

825. Notice of the exportation of sugar from 1823 to 1828.

826. Besides coffee and sugar there are many other products which have a great future in Mexico.

827. Observations of Hon. John W. Foster on the wealth of Mexico in henequen and other articles.

up to the great lakes, could, by means of the railways starting from these two cities, be provided with the tropical fruits of Mexico, fresher, of better quality, and cheaper than those we now have.

"It would be difficult to exaggerate the development that might be given to this branch of commerce. To give an idea of what an influence a frequent and direct communication with Mexican ports would have on its vast and manifold elements, I will cite one sole example: Since the establishment of the present line of steamers from New York to Mexican ports the importation made of henequen (sisal hemp) to that city, proceeding from one port only, that of Progreso, Yucatan, has increased in five years from less than \$100,000 to \$1,049,202, according as appears from the memorandum of the Treasury Department for 1873, which is the last that has been published.

"We behold, then, that this one article of comparative little importance has come to be, owing to the establishment of this line of communication, after silver, the second in value of the exportations of that Republic.

"Besides these there are many other important articles adapted to commerce of which we are in great need in the United States, and which Mexico can produce abundantly, such as precious woods, which it has in illimitable quantities, cocoa, vanilla, various drugs and dyes, agave fibre, india rubber, rice, &c.

"I have only alluded now to the coasts of the Gulf and of the Pacific, as well as to the provinces of the sierra, in which these articles, so much needed in the United States, are produced; but in the interior of the Republic there are extensive valleys, which are depressions in the vast system of elevated plains of Mexico, fertile lands of incomparable beauty, in which a delicious climate is enjoyed and which grow sugar, coffee and most of the other articles with the same abundance and of the same good quality.

"Until now these regions have not contributed, nor are they contributing, to exterior commerce by reason of the cost required for transportation to the ports; but the recent termination of the railroad from Mexico to Vera Cruz, which has conquered the difficulty and facilitated the costly task of scaling the mountain up to the arrival at the higher plains, which are situated at an elevation of more than 8,000 feet above the level of the sea, with a four per cent. decline, that is to say, more than 200 feet to the mile, this road ought to give important results, which will influence in the exportation of agricultural products."

828. Dr. W. Seager, a British subject, who resided for a long time in Mexico, and who came to be profoundly acquainted with the circumstances of this country and its great facilities for the production of certain fruits, wrote a short comprehensive treatise entitled, "*The Wealth of Mexico besides the Precious Metals*," which was published in English in 1867, and in which he spoke principally of the advantages of the country for the production and realization of cotton, salt and guano, respecting which he says as follows:

"Mexico, by reason of the limited number of its seaports and the few rivers it possess not being navigable, cannot come to be a great maritime nation, whilst on account of its geographical configuration, which facilitates the exploration of its geological formations of the primary and secondary epochs, it can be considered as a country of great mineral wealth.

"The Cordillera of the Andes divides here into two great chains of mountains, one of which follows the original line on the Pacific coast, traversing Sonora, the auriferous region of California, the rich silver district of Washoe, and from there to the north, whilst the other has its ramifications towards the Gulf of Mexico, where the principal deposits of silver known to the world have been discovered, as Guanajuato, Real del Monte, Zacatecas, San Luis Potosi, Catorce, Bolanos and many other places, which, according to statistical data, have produced many millions of dollars.

"However great this quantity may appear, altogether, silver is an article the production of which is very expensive, because it involves great risks and is excessively inconstant and capricious in its veins and croppings. The flattering aspect of rich stone has caused the investment of enormous sums in the draining of mines and in the extraction, reduction and refining of metals, to suffer only a bitter disappointment in the complete disappearance of every vestige of silver. It is not the same with other kinds of business which up to this time are remaining undeveloped in Mexico, and which are similar to those which in Europe form the basis of a great and permanent wealth, the principal revenue of some crowned heads and the origin of the colossal fortunes which, having peace and war in their power, rule them. These great fortunes do not proceed from silver and gold, but from humbler articles, as well as infinitely more useful and consequently more necessary, such as coal, iron, salt and others, because of the great abundance, rapid consumption and complete destruction and disappearance of these articles, which after many ages again appear for the benefit of other races, which in the course of millions of years are born to find the same substances, perhaps in more imperfect forms, but adequate, notwithstanding, to the state of their intelligence and civilization. I maintain that Mexico possesses resources infinitely greater than silver, its almost exclusive article of present exportation, resources which can be improved with greater ease, which are en-

tirely certain, pay sooner the expenses suffered in their development, distinguished for their greater constancy in giving returns, and for their incomparably superior commercial and political importance.

"*Creative production—Reservoirs of water.*—This is one of the secrets of creative production, and Mexico presents thousands of advantageous sites in the defiles of the numerous cordillera where the desert-burned and arid plains which lies at their feet can be converted into a paradise by the magic touch of the engineer. *

* * * That which is unfortunately observed at first sight is confirmed on closer examination: the true principles of financial science are here inverted. Instead of stimulating production and imposing taxes afterwards on the capitalized product, the first germs and toils of the production of capital are suffocated by a refinement of ingenuity which impedes its expansion and increase.

* * * * *
 "Mexico is, by reason of its geographical situation, its topographical configuration, the diversity of climates, the fertility of its soil, its wealth in precious stones and vegetable products, and its great and inexhaustible deposits of special materials of value, more adapted than any other country to liberate its people from heavy burdens and to enjoy a larger revenue relatively to the number of its inhabitants. * * * * *

"*Cotton.*—This article presents a curious contrast to the risky and costly production of silver, the profit on which altogether amounts, according to Humboldt, to six per cent., it being difficult to prove the exactitude of this assertion, because for one mine that produces a profit, there are certainly a hundred that involve a loss.

"*Salt.*—Salt is sold as high as \$12 00 per load, its cost of production being one or two dollars; and an enterprise of this kind once established is not exposed to come to a termination like a vein of metal.

"Salt of Lake Tecoco.—It is to Mexico what guano is to Peru.

"It is evident that the railroad will cause a radical revolution in this class of enterprises in Mexico—hemp, wax caoutchouc, copper."

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829. The treatise of Dr. Seager terminates with the following important summary:

"SUMMARY.—A fixed revenue being one established, by means of the improvement of the diverse fountains to which I have alluded, the annual production of which can rise to a hundred millions of dollars, the Government of the country will be in a position to effect physical reforms, and to initiate economic measures which would make it powerful and respected. Its army, to be efficacious, could be numerous and be well and punctually paid; then confidence would be had in protection against thieves and acts of violence, and then there would commence for the country with all certainty a propitious era to all the peaceful occupations of its inhabitants.

"There ought to follow the complete abolition of every kind of interior impost, and freedom from every obstacle that impedes interior trade. Liberal subsidies could be granted to railroads, canals, lines of steamers and other enterprises of public utility; contracts be made to maintain public roads in perfect order, exacting in the contracts sufficient security; liberal contracts be made for all kinds of public works, but securing their prompt and efficacious construction and conclusion by the respective parties; large premiums be granted to stimulate cultivation and improvement of many precious natural products of the country, which both in quality and quantity can advantageously compete with those of more favored nations. Then the country would attain to the realization of a large exportation, without which it can never be rich or prosperous.

"Its exterior commerce ought to be facilitated by means of the circulation of bank bills and other valuable paper; otherwise, it will always be behind other countries that enjoy this evident advantage. The signature of twenty-five of the principal capitalists of the country on a bank-bill would guarantee its value, and these capitalists cannot but recognize the advantages resulting to them in thus duplicating their capital, while they afford to the country the benefit of a circulation which at the same time favors themselves.

"In view of the small amount of the present revenues of Mexico, and of the irregular and difficult manner in which the revenues are collected, my calculations may appear to be exorbitant; but if it is considered that the natural resources of the country and the fertility of its soil are not developed, it will be seen that these calculations are really moderate, and even low, in comparison with what other countries produce.

"The cotton crop of the north was, in 1861, 2,089,000,000 lbs., which at the price this article now commands (1867) would amount to \$600,000,000; and Mexico, which has a superior fertility, can undoubtedly produce a tenth part of this quantity. I cannot refrain from making one more comparison. The project of the construction of a tunnel under the English Channel is approaching its realization, for all the difficulties are being overcome; it will cost, however, \$35,000,000, and its utility is problematical. Peace will not last forever, and the tunnel can be destroyed in an instant with a few barrels of powder.

"The investment of capital in cotton planting in Mexico, in the building of reservoirs for the important

purposes of irrigation, in the preservation of its cereals, in the development of its truly great natural deposits of valuable substances, and in the proper stimulation of its agriculture, which is not yet developed, would yield a quick, considerable and secure profit, and which would go on increasing; all of which would be a motive that, in the great monetary markets of the world the preference should be given to such secure investments of capital.

"By each of the details of the preceding sketch, which have been lightly traced, or rather simply alluded to by me, it will be seen that Mexico is a beautiful white page, on which science and industry, with their modern resources, ought to write with immense advantage and profit."

830. In reference to the elements of wealth of Mexico, in an important treatise published in Brussels in 1864 by Mr. J. B. Legrain, entitled "*The Agricultural Situation and Future of Mexico*," there is said as follows:

"Probably there exists no other country in the world the configuration of which is so extraordinarily advantageous for agriculture. Mexico possesses every kind of vegetable and fruit tree of Europe. The central table lands produce, in the greatest abundance, cherries, plums, peaches, apricots, figs, grapes, melons, apples and pears; and in the hotter districts they produce pine apples, mameyes, cassavas, anonas and chirimoyas. The orange and lemon are cultivated equally on the central table lands. The maguey, a species of the *agave Americana*, which grows well in the elevated regions, gives pulque, a drink which the inhabitants prefer to wine. Almost all the vanilla consumed in Europe comes from the forests in the States of Vera Cruz and Oaxaca; there the zarzaparrilla, which is exported in considerable quantities, Jalapa root is found especially near the city of this name; also superior kinds of tobacco, sugar-cane and indigo are cultivated there; and it should not be left unmentioned that rice is cultivated in the wet bottoms of the valleys. Lastly, and to conclude this long enumeration, we will add, that the forests are full of oak, pine, cypress, ash, walnut, cedar, ebony, campeche wood, mahogany, palms, tamarinds, acacias and Indian cane.

"The domestic animals of Europe have prospered in Mexico and have multiplied enormously."

831. Various other authorities could be quoted to show the multitude of the elements of wealth, and of easy development which exist in Mexico, and which are only awaiting capital and the spirit of enterprise, to be developed; but these are so well known that it is not believed necessary to mention them especially, which, besides, would greatly augment the dimensions of this exposition.

C. Increase of the Exterior Trade of Mexico, its Elements of Wealth being once Developed.

832. To obtain a great increase in the production of the articles heretofore spoken of, the investment of foreign capital is indispensably necessary. For the development of mining there is indispensably necessary besides this, the modification of the laws in force, which, burden with such heavy imposts the mining industry of the country; for the increase of sugar production there is an indispensable need, also, of the construction of railroads, that will enable products to be carried to the coasts at a low freight; but for the increase of the production of coffee nothing more is needed than the investment of capital, for the high value of this product permits its exportation, even from the interior, and with all the burdens of the high freights, which are paid in Mexico.

833. If, by the increase of the mineral production of this country, the exportation of the precious metals should be increased to \$100,000,000 per year, and if, by the increase of agricultural production, there should be exported of coffee alone \$50,000,000, and as much more of sugar, the importation of foreign merchandise, instead of being nearly \$30,000,000, as it is now, would rise to the sum of \$200,000,000 per year, assuming proportions which, although they may appear fabulous now, are, in reality, in no wise exaggerated.

834. If this increase, as large as it is easy, in the production of Mexico, should be owing to North American capital and spirit of enterprise, it is certain that they would reap the benefit in the increase of importation, and that the commerce of the United States with Mexico, instead of representing \$7,000,000 per annum, as it does now, would rise to \$150,000,000 or \$180,000,000.

835. To attain this important result, the capitalists and business men of the United States have only to invest their capital in Mexico, as well in the production of the fruits indicated, as in the building of railroads. It is to be desired, for the good of both nations, that the brilliant future sketched in these lines, and which must

830. The resources of Mexico, by Mr. J. B. Legrain, in his treatise entitled "*The agricultural situation and future of Mexico*."

831. It is not thought necessary to insert the testimony of other authorities on this subject.

832. The investment of foreign capital is indispensable to increase the production of exportable articles.

833. The growth of the production of metals will cause an increased importation of foreign goods.

834. The interests of the United States in the investment of North American capital in the development of the elements of Mexico.

835. Hope that the extension of commercial relations between Mexico and the United States will not be long deferred.

come at some time, should not be long deferred, so that the present generation may behold and enjoy the advantages of that great productive and commercial development.

836. It is proper to record what the Hon. Thomas H. Nelson, former Envoy Extraordinary and Minister Plenipotentiary of the United States to Mexico, said in a communication dated at Terre Haute, Indiana, December 13th, 1872, and addressed to Mr. J. H. Oglesby, president of the New Orleans Chamber of Commerce, respecting the future of commerce between Mexico and the United States, which communication was transmitted to the United States Department of State, with a note dated at this capital, February 10th, 1873, and published in the diplomatic documents annexed to the Message of the President of the United States to the Congress of December 1st, 1873, (pp. 650 and 651). The part in point of this communication says as follows:

"Considered from the point of view of national and individual interests, the policy which I recommended would be especially favorable to the people of the South-western States, particularly Louisiana and Texas. Their commercial future is so directly and intimately connected with the growth and development of commercial relations with Mexico, that it appears unnecessary to dwell upon this point. Every legislative measure which tends to forward the said commerce, is a step taken in favor of the South-western States.

"Not only will the four articles above-mentioned serve to give an impulse to our commerce, through a prudent development of our commercial relations with Mexico, but there are still other articles of large consumption which are not produced on our soil, and with which Mexico is able to provide the world. It is enough to mention coffee, chocolate, indigo, mahogany and dye-woods. In exchange for these valuable articles, Mexico would naturally receive from us the manufactures which she is now buying in England, France and Germany; our American manufacturers would thus be able to make use of our great maritime power, to trace out a lasting commerce in the Gulf States, and elevate them to a degree of prosperity unknown, even in their most flourishing epoch. The adoption of the legislative measures I have indicated would, without doubt, contribute in an extraordinary manner to obtain this result.

"The conclusion of the projected lines of railway between both countries will certainly have a vital influence on the realization of these expectations, whether the stimulus of such favorable legislative measures should be counted upon or not. But to the end of inaugurating a vast and profitable commerce between Mexico and the South-western States, it is not necessary to wait for the slow appearance of the locomotive in the Central States of Mexico, nor to follow the uncertain course of legislation, for the road to the treasures of Mexico is open to the merchants of New Orleans, and I cannot but wonder that that road has remained, up to the present time, completely deserted."

837. The Hon. John W. Foster set forth this same thing in his speech, delivered before the New Orleans Chamber of Commerce, November 18th, 1875, in the following terms:

* * * "It is a fact, notwithstanding that Mexico can produce, in unlimited quantities, and of the best quality, three articles for which the United States annually sends abroad more than \$150,000,000; those articles are sugar, coffee, and tropical fruits.

* * * * *

"I have paused a little to speak of the agricultural products of Mexico, for two reasons. The first is that the said articles are those we most need in the United States in exchange for our products and manufactures; the second is, that in my judgment the first necessity of Mexico is to develop her unlimited agricultural elements, which are the principal source of wealth, prosperity and peace. But however extensive my observations might be on the material elements of Mexico, they would appear incomplete if I should say nothing about her mining enterprises.

"What Mexico needs to obtain from abroad to-day is capital and enterprise. With the guarantees it gives of peace, and with the protection it assures to property, it is offering opportunities which capitalists and men of industry ought not to lose. But I will say, in parenthesis, it does not need miserable adventurers seeking their fortunes, and at this moment it offers few attractions for workingmen, that is to say, for those who are simply laborers, and for men who have no money."

838. It is thought proper to set forth, lastly, the conceptions of Dr. Seager, as contained in the preface to his treatise already quoted, "*The Wealth of Mexico besides the Precious Metals*," because in them he points out that it belongs to the North Americans to co-operate in the development of the elements of wealth of Mexico.

836. Note of Mr. Nelson to Mr. Oglesby on the interest of promoting the commerce of the United States with Mexico.

837. Recommendation on the same subject by the Hon. John W. Foster in his lecture delivered at New Orleans.

838. Preface of Dr. Seager's pamphlet that the United States ought to co-operate for the development of our wealth.

" **PREFACE.**—Railways will change the commercial and financial condition of Mexico. By facilitating the transportation and export of its products a great impulse will be given to the development of its true wealth. The day is drawing nigh when the gold and the immense agricultural capacity of California will be considered, in comparison, like a zero to the left. Into this path would I put Mexico. I acquired, at the side of one of the most successful financiers of modern times, some notions regarding the laws that rule the secret springs of production, and I cannot resist the desire to impart them in behalf of a country in which I have passed many happy years. From some Europeans to whom I have communicated this thought I have heard objections on ephemeral and local difficulties of the country.

"I admit them all. But to a race which finds a pleasure in danger and a stimulus in difficulty, which place a dozen men in the wilds and after half a century they are converted into a mighty and flourishing empire, these difficulties are mere straws in its pathway. If there is a country in the world in which the applications of modern economic science can be successfully put in practice, and in which, by the fertility of its soil, by the excellence of its climate, and its peculiar geographical situation, the great and prolific measures I propose can be quickly carried forward, that country is undoubtedly Mexico."

D. The Government of the United States has done exceedingly little to increase the Commerce with Mexico.

839. As if what has been said thus far were not enough to demonstrate that the Government of the United States has done exceedingly little to increase the commerce with Mexico, and that the slight increase which this commerce has recently shown is due to the isolated efforts of the Mexican Government, there are irrefutable testimonies which put these facts beyond all doubt. *

a. Testimony of Hon. Thomas H. Nelson.

840. With reference to this subject, the Hon. Thomas H. Nelson said, in his communication addressed from Terre Haute, Indiana, December 31st, 1872, to Mr. J. H. Oglesby, already mentioned, as follows:

"Mexico has done all she can on her part. In the years elapsed since the fall of her ephemeral empire she has increased the production of her Gulf States. * * * And, above all, she has finished the construction of the railroad most important for the interests of her maritime commerce. Before the first of January next trains will have passed from the capital of Mexico to its most important seaport. Besides, Mexico is disposed to grant, if she has not already done it, a liberal subsidy to a line of steamers from New Orleans to Vera Cruz. She has contributed already to the establishment of a line of coasting steamers, the owners of which reside in New York, and which will commence its voyages to all the Mexican ports of the Gulf in November or December of the present year. The importance of this line as an auxiliary to that of New Orleans cannot but be recognized.

b. Testimony of Hon. John W. Foster.

841. The Hon. John W. Foster, Envoy Extraordinary and Minister Plenipotentiary of the United States to Mexico, expressed himself on this subject, in the speech he delivered before the Chamber of Commerce of New Orleans, November 18th, 1875, in the following terms:

"What I have said is, perhaps, enough on this point, and sufficient to convince you that our Government has done little or nothing to the end of securing us the trade of Mexico; I have also shown that the Government of that country, although its treasury is exhausted by a revolution that has lasted more than half a century; although striving with difficulties that poverty entails, and although borne down with a considerable debt, national as well as foreign, is the only one which positively upholds commerce between the two countries.

"... Third. The third reason why our trade with Mexico is so insignificant is, that very few efforts have been made by mercantile societies and by individuals to establish it.

"It should be borne in mind that the favorable action of the Government can only facilitate the success of individual efforts. It does not belong to the Government to undertake mercantile business. This must be done by American merchants and capitalists; they it is who must take possession of the commerce of the neighboring nation, if we are ever to enjoy its benefits; but very little has been undertaken towards such an end, and on this point Hamburg gives lessons in Mexico and South America, to New Orleans and New York, which these cities might take advantage of.

* * * * *
"I think I have said enough on this want of enterprise and of effort to convince you that we can do more

839. Mexico exclusively has made efforts to increase the traffic between both nations.

840. Testimony of Hon. Thomas H. Nelson, that Mexico has made efforts to augment the commerce with the United States.

841. Testimony of the Hon. John W. Foster, that the United States has not corresponded to those efforts.

than we have done to the end of securing for ourselves the commerce of Spanish America, and enough to confirm the recent assertion of one of our principal industrial dailies, that the Americans are surprisingly negligent in cultivating foreign commerce, while the European nations are active and enterprising."

* * * * *

c. Message of the President of the United States, R. B. Hayes, of December 17th, 1878.

842. As if the formal and explicit declarations of the two last Representatives of the United States in Mexico, to which we have already alluded, were not enough to demonstrate that the United States Government has done very little to promote trade between the two nations, we have yet the more decisive testimony of the present United States Secretary of State, which demonstrates that the Government of the neighboring nation has not up to the present time taken the necessary measures to enlarge its commerce with the nations of this continent, and recognizes that the European commercial powers have used, with great sagacity, the means necessary to attain this result, which they have done very successfully.

843. It is proper here to set forth that important document, because it comes to prove conclusively the truth of the preceding observations, and to indicate at the same time some of the measures that should be adopted to secure the growth of commerce between the two countries.

844. In consequence of a proposition approved by the United States Senate, December 5th, 1878, in which the President was asked for information received by any of the Departments of the Executive, respecting commercial relations between the United States and South American nations, as well as for any suggestions he might think proper to submit, for the purpose of facilitating and enlarging said relations, the President remitted to the Senate, December 17th of the same year, a message accompanying a report from the Secretary of State, of the same date, of which documents mention has already been made in another part of this exposition (paragraph 71) (45th Congress, Third Term of Sessions of the Senate, Executive Document number 17).

845. The Message of the President of the United States says, translated, as follows :

"To the Senate of the United States :

"In reply to the proposition of the Senate, dated the 5th instant, in which it asks 'that the reports may be transmitted to it which have been received in the departments on the postal and commercial relations between the United States and the countries of South America, as well as the recommendation touching measures that may be judged opportune to adopt to facilitate and improve said relations,' I transmit, in continuation, the report of the Secretary of State and of the Postmaster-General, with the documents annexed.

"The exterior commerce of the United States has been for many years an object of disquietude on account of the exportation it has caused of precious metals. During the twenty years anterior to 1877 the remittance of gold abroad was constant and heavy—so heavy during the suspension of specie payments that it was calculated sufficient to destroy the hope of resuming them while it continued. Vigorous efforts, however, were made in 1876, and have continued to be made since, by enterprising citizens of this country, to develop our general trade with foreign countries, especially in manufactures, and these efforts have been crowned with the best success. The importation of manufactured goods has been reduced, at the same time, in equal proportion ; and the result has been that the present situation forms a veritable contrast to that which prevailed for so long a time, and that the exportation of gold has ceased completely. The official notices of the amount of foreign commerce demonstrates the unexampled magnitude the movement has reached, and the protection it affords to public interests in moments when commercial security has become indispensable. The means which have produced this change must be sustained and invigorated, if it is desired to assure the future. If excessive importations should occur, or there should be a considerable reduction in export trade, it would be possible that the old situation of adverse commercial differences might also return, with the inevitable exportation of gold as a necessary consequence. Every element should be taken advantage of that will impel the introduction of our products and manufactures into new markets. Many of the products of the United States are now so well appreciated that they obtain a lucrative distribution, in spite of the positive differences of cost resulting from our defective system of shipment, and of the complete imperfection of our arrangements for directing trade with foreign markets, compared to those of our competitors.

"We ought to have no competition anywhere when we have equal commercial facilities. The laws are directed now to recovering financial equality with other nations, and the basis of value in coined money has been

842. The United States Secretary of State shows that his Government has done little to promote trade.

843. Reasons for setting forth the Report of the United States Secretary of State.

844. Message of the President of the United States to the Senate, on commercial relations with South America.

845. Text of the United States President's message addressed to the Senate the 17th of December, 1878.

ordered to be resumed. It is of the greatest importance that the commercial condition which we have happily reached should be permanent, and that our rapidly increasing export trade should not suffer any falling off from the lack of means of communication with other countries. The adjoined reports contain an instructive and important summary of data on our commercial relations in South America, where a propitious field is presented for the enterprising character of our people. They are transmitted with the assurance that whatever measures may be dictated for the promotion of these important interests will meet with my cordial approbation.

"Executive Mansion, December 17th, 1878.

R. B. HAYES."

846. Although there is nothing in the preceding Message directly relating to the commerce of the United States with Mexico, for, as was indicated in another place in this exposition (paragraph 71), there is no mention even made of this country, it contains important considerations respecting the exterior trade of the United States, which, from being of a general character, apply also to Mexico. Besides it shows in a succinct manner the course that has been pursued for twenty years back in the exterior commerce of the United States, and what are its present tendencies, wherefore it has appeared proper to set it forth in this exposition, upon treating of trade between Mexico and the United States, and also for the better appreciation of the conceptions on the same subject contained in the Report of the Secretary of State, William M. Evarts, which will be spoken of in continuation.

d. Testimony of the Hon. William M. Evarts, United States Secretary of State.

847. The Report of the Hon. William M. Evarts, United States Secretary of State, addressed to the President, December 17th, 1878, says, translated, as follows:

"To the President :

"The Secretary of State, to whom was sent the proposition of the Senate of the 5th instant, asking the President to transmit to the Senate 'the reports which have been received in the Departments regarding the commercial and postal relations between the United States and the South American countries, as well as the recommendation which might be esteemed adapted to improve the trade,' has the honor to present to the President copies of communications from the diplomatic agents of the United States, accredited to the South American Governments, and which refer to the subject mentioned in the proposition; he presents also, as bearing upon the subject indicated, copies of a Report and its accompanying documents presented to this Department by Mr. J. W. Fralick, on his return from a long journey through the principal States of South America; all of which documents are specified in the subjoined list.

"Respecting the petition of the Senate, that measures might be recommended to it that might be judged adapted to facilitate and improve the postal and commercial relations, the Secretary of State, without entering into an extensive examination of the most important and interesting points suggested by the documents transmitted, would respectfully call attention to certain manifest conclusions, which all these reports tend to establish.

"I. It appears altogether evident that having provided, with the help of Government, the establishment of a regulated system of postal communication by steamer, has been the precursor of the commercial ascendancy of Great Britain in the great markets of Central and South America, as well on the coasts of the Pacific as on those of the Atlantic. It is no less potent that the efforts of other European nations, as Germany, France and Italy, to participate in this lucrative trade, have been successful in proportion as they have adopted a regular system of postal communication by steamer with the divers markets whose trade they are seeking.

"II. These documents demonstrate also that the spirit of enterprise and sagacity which the European nations have shown in this, have practically changed to their favor the advantage which our geographical situation gives us respecting the extensive commerce of the American hemisphere. Our commercial correspondence with the points of trade on the coasts of the east and of the west, crosses the Atlantic twice to establish a postal tie in a circuit of trade, whose beginning and whose end is forced on our own continent. The statistics of our limited trade, because of this extraordinary disadvantage, demonstrates that the growing preference which our products have in those markets of South America has to be satisfied, even supporting the costs of a circuit of importation which carries our goods to Europe, and incorporates them as a contingent in swelling the volume and profits of European commerce with South America. A more energetic demonstration cannot be conceived of the tendency of commerce to follow the route of postal communication than this vast and expensive circuit of importation to which it recurs for the want of direct communication between the consuming and supplying countries.

"III. It would appear to be deduced from these reports that the merchants, the people in general, no less than the governments of those countries, ardently desire the enlargement of direct trade with the United States. Notwithstanding all the advantages which the European arrangements now sustaining it afford to foreign com-

846. Reasons for which it was considered opportune to copy the precedent message.

847. Text of the report of the Secretary of the United States, addressed to the President the 17th of December, 1878.

merce, it is understood in those markets that this forced round-about, which, with the resources of the United States, could very well be substituted by a direct trade, has to be paid for by the part subject to this system and to the benefit of the part directing and administering it. There is everywhere shown a great desire to increase trade with the United States, and even the treasures of the poorest of these governments are disposed to contribute to the expenses of a system of postal communication by steamer, of whose importance to promote the development of foreign commerce their own experience furnishes them incontestable proofs.

"IV. While many measures less immediate and less simple, about which it may not be easy to obtain a conformity of opinion, ought to be examined with more attention by our people—anxious now for a restoration and increase of foreign commerce—it does not appear that there is any reason to doubt the propriety of this simple and first step relative to a system of postal communication by steamer direct, frequent and regular, between the United States and the principal commercial ports of Central and South America.

"If this is so, interest and duty call upon our Government to promote, by all just and proper means, the attainment of this first and primal agent for the desired growth of our foreign commerce. It is difficult to comprehend to what degree this beginning and development of an oceanic postal system, the precursor of a hoped-for traffic, may be confided entirely to the sole interests of commercial combinations.

"The Governments of the foreign countries with whom this commerce ought to be opened are disposed to take their part with us in the expense of such postal communication; and the participation or non-participation of the United States in this expense appears to be the objective point in accepting or not the reciprocal trade which is now being proposed to us.

"Department of State, Washington, December 17th, 1878.

"W. M. EVARTS."

848. In the preceding report the United States Secretary of State recognizes that the establishment of a regulated system of postal communication by steamer between Great Britain and the markets of Central and South America has been the precursor of the commercial ascendancy of that nation; that this course has been followed with equal success by Germany, France and Italy; that the sagacity and spirit of enterprise of the European commercial nations have diverted to their favor the advantages held by the United States from their geographical position in the American hemisphere; and, finally, that it is indispensable that the United States should adopt similar measures in order to obtain an increase of their trade with Central and South America. This demonstrates clearly that the United States Secretary of State recognizes that the United States has not done even what the European nations have, to establish their trade with the American continent. Although neither does the report of the Secretary of State speak of Mexico, its observations are applicable to it even more than to other nations because of its vicinity to the United States.

D. Reciprocity Treaty Between Mexico and the United States.

849. It appears beyond all doubt that one of the most efficacious methods of giving a great impulse to commerce between Mexico and the United States would be the celebration of a reciprocity treaty upon bases equitable and equally favorable to the interests of the two Republics.

850. The importance of this subject demands that it should be considered in all its phases; therefore, the following points relating to it will be spoken of here:

- a. The Ocampo-MacLane proposed treaty, signed at Vera Cruz December 14th, 1859.
- b. Suggestions on a reciprocity treaty made by the Hon. Thomas H. Nelson in December, 1872.
- c. Conduct of the Mexican Government in respect to a reciprocity treaty between the United States and the Sandwich Islands of January 13th, 1875.
- d. Opinion of the Executive on the reciprocity treaty expressed before the Chamber of Deputies in session October 31st, 1878.
- e. Advantages of the reciprocity treaty.
- f. Difficulties to the celebration of a reciprocity treaty with the United States.
- g. Basis for the celebration of a reciprocity treaty between Mexico and the United States.
- h. Contraband trade carried on in Mexico.

a. The Ocampo-MacLane Proposed Treaty, Signed at Vera Cruz, December 14th, 1859.

851. The first essay towards a reciprocity treaty between Mexico and the United States was the Ocampo-

848. Relation between the observations of the United States Secretary of State and the commerce of that country with Mexico.

849. Propriety of a reciprocity treaty to give an impulse to trade between Mexico and the United States.

850. Points considered in this exposition relating to a reciprocity treaty.

851. The Ocampo-Mac Lane treaty of December 14th, 1859, and its disadvantageous conditions for Mexico.

MacLane treaty, signed at Vera Cruz, December 14th, 1859. It cannot be denied that one of the reasons why there has been created in Mexico a certain prejudice against a reciprocity treaty with the United States has been the highly disadvantageous conditions for Mexico contained in that projected treaty.

852. The object of that treaty was to grant to the United States and their citizens and properties, in perpetuity, the right of way through the Isthmus of Tehuantepec, accepting the guarantee of the United States for the neutrality of the way, and authorizing the passage by the same way of United States troops and munitions. The same right of way and passage of United States troops and munitions was granted from the city of Guaymas, on the Gulf of California, to the ranch of Nogales or other convenient point on the boundary line between Mexico and the United States, near the 111th degree of longitude West from Greenwich, and also the right of transit across Mexican territory from the cities of Camargo and Matamoros, or from some other convenient point on the Rio Grande, in the State of Tamaulipas, by the way of Monterey to the port of Mazatlan, at the entrance to the Gulf of California, in the State of Sinaloa, and from the ranch of Nogales or other convenient point on the frontier between the two countries, near the 111th parallel of longitude west from Greenwich, by the way of Magdalena and Hermosillo to the city of Guaymas, on the Gulf of California, in the State of Sonora.

853. Article 8th of the treaty stipulated that the Mexican Government was disposed to receive, free of duty, or at low duties, goods that were enumerated in the continuation of said Article, and that on this basis it was agreed that the Congress of the United States should designate, among them, the natural, industrial or manufactured products of each of the two Republics which should be admitted for sale and consumption in each of the two countries, under the conditions of a perfect reciprocity, either free of duty or else paying the quotas affixed to them by the Congress of the United States.

854. The goods referred to in Article 8th were 41, of which some were of Mexican production, such as rice, raw hides, horns, chile, bridle-bits, rough lumber and firewood, dyewood, marble in thorough, riding saddies, palm-leaf hats and raw-sheep pelts; all the rest were products of the United States, and some of them of great consumption in Mexico, such as linens and all kinds of cotton textures, with the exception only of unbleached cotton cloth.

855. In exchange for these most advantageous concessions made to the United States, their Government compromised itself to pay Mexico the sum of \$4,000,000 immediately after the ratification of the treaty, of which \$2,000,000 the United States Government would retain to pay the claims of their citizens against Mexico, for damages suffered, and which should prove just according to the law of nations and the principles of equity.

856. The disadvantageous nature of these conditions of commercial reciprocity for Mexico will be understood at once, to say nothing of the other points of agreement in that project, inasmuch as, besides that the larger part of the merchandise comprised in the list annexed to Article 8th are of North American production, and those of Mexican production are of very little importance, it was left to the Congress of the United States, without any intervention of the Mexican Government, to determine which of those goods should be received by each of the contracting parties free of duty, or with a considerable abatement of import duties.

857. The celebration of the Ocampo-MacLane treaty, which threatened to give a death blow to English commerce in Mexico, caused, as was natural, great alarm in England, as was shown accordingly by the British press in the course of the year 1860, and perhaps this was one of the motives that gave rise to the sad European intervention, in which England took a part which occasioned so many evils to Mexico, and one of the objects of which was, without doubt, to prevent the commercial preponderance which the said treaty gave to the United States in Mexico.

858. Fortunately for the two contracting nations, this treaty was not approved by the United States Senate, and did not come to take the character of an international covenant; but its stipulations were considered to be so onerous and prejudicial for Mexico, that they have always been looked upon in this country with the most complete repugnance, and this has given ground for a general belief here that the United States will not celebrate reciprocity treaties with us, except upon bases similar to those of the Ocampo-MacLane treaty.

859. The difference must not be lost sight of in the circumstances which now exist in Mexico, compared to

852. Concessions made by Mexico to the United States by the Ocampo-Mac Lane treaty.

853. Commercial stipulations contained in Article 8th of the Ocampo-Mac Lane treaty.

854. List of the articles of commerce referred to in Article 8th of the Ocampo-Mac Lane treaty.

855. Retribution of \$4,000,000 offered Mexico by the United States Government in the same treaty.

856. Disadvantages to Mexico of the reciprocity established in Article 8th of the treaty.

857. The Ocampo-Mac Lane treaty contributed to the European intervention in Mexico in 1861.

858. The Ocampo-Mac Lane treaty was not approved by the Senate of the United States.

859. Difference of present circumstances in Mexico from those which existed on celebrating the Ocampo-Mac Lane treaty.

those which existed when the constitutional government was in Vera Cruz in 1859, in order to comprehend that the covenants which Mexico would now enter into with the United States would contain stipulations very different from those comprised in the Ocampo-MacLane treaty.

b. Suggestions of Hon. Thomas H. Nelson, in December, 1872.

860. Since 1869 there has been no recurrence to propose or to initiate the celebration of any reciprocal treaty, excepting the suggestion of the Hon. Thomas H. Nelson, former Envoy Extraordinary and Minister Plenipotentiary of the United States in Mexico, contained in his communication addressed to Mr. J. H. Oglesby, dated at Terre Haute, Indiana, December 13th, 1872, which was shortly spoken of (paragraph 836) and which was inserted among the diplomatic documents annexed to the Message of the President of the United States, of December 1st, 1873 (page 650).

861. The importance of that communication makes it proper to insert here a translation of that part of it which relates to this subject :

“When these ties of union have been established, the mercantile relations between the United States and Mexico will rapidly attain enormous proportions. It appears that every country has been created to be the natural provider and the natural market for the other. Each one abounds, by reason of its difference of soil and of climate, precisely in those products which are most necessary to the other. Whilst in the United States the surface that can be devoted successfully to articles of universal consumption, such as cotton, sugar, rice and tobacco, is necessarily limited, and, regarding the three last, is hardly sufficient to satisfy a small part of the consumption of the country, the capacity of Mexico for the production of these four important articles is practically unlimited. Respecting the fountains from which we supply ourselves with these articles, one consideration presents itself, which, in my judgment, ought to have great weight with our Government, in conceding to Mexico the preference over Cuba, Puerto Rico, or Brazil, which at present enjoy the lucrative monopoly of these great articles of commerce. Since the moral sentiment of our country, aided by the irresistible logic of events, pronounced its fiat of reprobation upon the slavery of man, the United States ought to be considered, as a nation, essentially anti-slavery, and in spite of former prejudices, no section of the country has now any interest in defending the memory of this extinguished abuse. It is now time, that, having washed our hands of such a stain, by the events of a period to the details of which I do not need to refer, we should use now the right of openly expressing our opinion about slavery in other countries where it exists under forms so repugnant that they would almost justify by contrast the more benignant system which we succeeded in extirpating at the cost of so much blood and money. We, to-day, have the right, and many would perhaps contend that it is a national duty, to distinguish, in our tariff legislation, between the products of the freeman and the slave, and so just a difference would undoubtedly redound in an especial manner to the advantage of Mexico. But such legislation is not justified and recommended solely from a philanthropical point of view, it is equally to be desired in view of the Monroe doctrine.

* * * * *

“I doubt not, in case of the friendly legislation to which I have before referred being adopted by the United States, that Mexico would have sufficient gratitude towards her best friend and nearest neighbor, to do in return, in fact if not in name, somewhat that would have the appearance of a treaty of reciprocity, and which would redound to the benefit of both countries.”

862. It is clear that if the suggestion of Mr. Nelson had been accepted by the neighboring nation the fruits produced in Mexico would be able to compete with those of Cuba and Brazil. But it does not appear that these ideas have been well received in the United States, or, at least, it is a fact that up to the present time no effort has been made to put them in practice.

c. Conduct of the Mexican Government respecting the reciprocity treaty between the United States and the Sandwich Islands, of January 13th, 1875.

863. The Government of Mexico has, on the contrary, been studying, on its part, some way of celebrating a treaty with the United States which should be mutually advantageous to the two countries and give as a result the growth of commerce between them both. When it learned of the reciprocity treaty entered into by the

860. Suggestions of Hon. Thomas H. Nelson on the principles of a reciprocity treaty with Mexico.

861. Text translated of the said suggestions of the Hon. Thomas H. Nelson.

862. The suggestions of Hon. Thomas H. Nelson have had no result up to now.

863. The Mexican Government has studied the manner in which a commercial treaty might be celebrated with the United States.

United States Government with the King of the Sandwich Islands, it endeavored to study the propriety of getting the stipulations of the said treaty extended to Mexico.

864. It is in place to relate here briefly what passed in regard to the said treaty, because of the importance which attaches to that incident in reference to the celebration of a reciprocity treaty between Mexico and the United States.

865. On January 13th, 1875, there was signed at Washington a commercial reciprocity between the Government of the United States and the King of the Sandwich Islands, by virtue of which each one of the contracting parties agreed to receive free of all duty certain articles of the other's production. As may easily be supposed, that treaty, celebrated by the United States with a nation that hardly counts 60,000 inhabitants, was highly to the advantage of the Government at Washington, inasmuch as the only effective concession made to the Hawaiian Government was the importation, free of duty, of their sugars, in exchange for which that Government was obliged to receive also, free of duty, various commercial articles of North American production and some consumption in the Hawaiian Islands.

866. In spite of the fact that this treaty can hardly be called one of reciprocity, because it granted to the United States much larger advantages than to the Hawaiian Islands, it has contributed greatly to develop the sugar production of those islands.

867. In January, 1877, it appeared to the Secretary of Foreign Affairs that the stipulations of that treaty might be extended to Mexico by virtue of the provisions of Art. 2d of the "Treaty of Friendship, Commerce and Navigation," of April 5th, 1831, celebrated between Mexico and the United States, which mutually obliges the contracting parties not to grant any special favor to any other nation respecting commerce and navigation without its coming immediately common to the other party, which it should enjoy freely if the concession was made freely, or under the same conditions if the concession was made conditional.

868. On the 18th of January, 1877, the Secretary of Foreign Relations addressed a communication to the Secretary of the Treasury calling his attention to this subject, and proposing to him to decide with the chief of the Executive power, if it was convenient to the interests of Mexico, to require of the United States that the advantages granted to the Sandwich Islands by the agreement of January 13th, 1875, should be under the conditions therein expressed extended to this Republic. Through the Secretary of the Treasury a commission was named the 9th of February following, composed of seventeen of the most prominent persons of this capital, both Mexicans and foreigners, there being among them agriculturists, bankers, importers, etc., for the purpose of examining if it was convenient to the interests to solicit of the United States the extension to Mexico of the provisions of the said agreement.

869. In a lucid and well founded report, dated March 10th, 1877, the said Commission demonstrated that the reciprocity treaty celebrated with the Sandwich Islands, being highly advantageous to the United States, it would be very inconvenient to the interests of Mexico to require its stipulations to be extended to this country.

870. The report of the Commission was published in the *Diario Oficial* of April 21st, 1877, and its foundations were so conclusive that, far from any doubt being raised against the deliberated resolution, public opinion received it as favorable to the interests of the country, and it was even wondered that there had been any deliberation on a subject that appeared so clear.

871. It cannot be doubted that this incident has also caused a certain prejudice against a reciprocity treaty with the United States, because it has induced the belief that the neighboring nation will not celebrate treaties of commercial reciprocity, save only on bases as advantageous for it as are those of the treaty of January 13th, 1875, celebrated with the Government of the Sandwich Islands.

864. Opportunity of relating what occurred in Mexico respecting the treaty of the United States with the Sandwich Islands.

865. Mutual advantages of the treaty celebrated between the United States and the Sandwich Islands, January 13th. 1875.

866. Considerable development of the sugar production of the Sandwich Islands by virtue of that treaty.

867. The Mexican Secretary of Foreign Relations judged that the treaty with the Sandwich Islands might be extended to Mexico.

868. Communication from the Secretary of Foreign Relations to the Secretary of the Treasury, and nomination of a commission to study this matter.

869. The commission demonstrated that it was not convenient that the treaty with the Sandwich Islands should be extended to Mexico.

870. Publication of the Report of the mentioned commission, and the impression it caused in Mexico

871. Prejudice in Mexico respecting the difficulty of a treaty with the United States of genuine reciprocity.

d. Opinions of the Executive upon a Reciprocity Treaty, expressed before the Chamber of Deputies in the session of October 31st, 1878.

872. On a recent occasion, upon discussing in the Chamber of Deputies of the present General Congress, the proposed law on the exemption of foreign printing paper from all duty, the Secretary of the Treasury, in his verbal report, already cited, rendered October 31st, 1878, expressed the ideas of the Executive on the celebration of a reciprocity treaty with the United States in the following terms:

"But, gentlemen, there is still another consideration against the opinion, which appears to me of more weight than all those set forth up to this time, and which I believe some one of the speakers opposing the opinion has already touched upon, although, from not having had the pleasure of hearing it, I do not know precisely in what terms he presented it; I believe I can set it forth under another aspect as less important.

"One of the Deputies, and author of the idea comprised in the opinion, and who has defended it most warmly, related to us the prodigious progress the system of free trade, as he called it, has occasioned in France, in being carried on with Great Britain. These results are truly wonderful, for they have increased in an incredible way the exportation of French articles to the United Kingdom of Great Britain; but they are due to a reciprocity treaty celebrated between both powers, by virtue of which each one agreed to receive into his territory, free of duty, or with a quota relatively low, articles produced or manufactured by the other, on condition that the other should receive on the same terms articles produced by it.

"The United States had formerly celebrated with England a similar treaty regarding their commerce with Canada, and since they have concluded another with the Sandwich Islands, and both have produced a very considerable increase of mercantile operations, increasing the respective exportations in a fabulous manner. This second treaty has given a great impulse to production in the Sandwich Islands.

"But in these cases the increase of trade and of exportation has not been due to freedom from duty on a single article, granted unconditionally as the opinion now proposes; but to concessions made in favor of certain foreign articles, in virtue of other equivalent concessions obtained in exchange, and which come to be an effective and important premium in favor of those articles themselves.

"I am of the opinion that one of the most certain methods of re-animating production in our country, and of increasing its commerce and wealth, would be to celebrate reciprocity treaties with foreign nations with whom we have mercantile relations, upon the basis of the treaty between France and England. It would not be possible to celebrate these treaties with France and Great Britain, the Republic having now no official relations with those powers; but they could be concluded with Germany, for example, and with the United States, which, besides being an important mercantile nation, has the circumstance of being our neighbor."

873. The complement of the ideas of the Executive on the reciprocity treaty with the United States is set forth in that part of the report of the Secretary of the Treasury referring to the production and exportation of sugar in Mexico, which fragment has already been inserted in its proper place, (paragraph 819).

e. Advantage of a Reciprocity Treaty.

874. The results which, up to the present time, treaties of commercial reciprocity have produced, celebrated between foreign nations, are truly notable. Even though the commerce of Mexico with the United States may not be in the same conditions in which the commerce of the United States has been with Canada, or the commerce of England and France, to hope that a treaty of reciprocity would produce amongst us the same results which it has produced in those nations, the truly prodigious results should not be lost sight of which have been obtained by virtue of those treaties.

875. By virtue of the Cobden-Chevalier treaty, signed in 1860 between England and France, there was established by each one of the contracting parties a special tariff for certain articles of the other's production. Where the importation of any articles was being prohibited it was permitted with the payment of duties, and where the importation was being permitted, the amount of duty was reduced, without granting absolute freedom for anything but books.

876. By virtue of that treaty the commerce between France and Great Britain, which, in the year 1859, the

872. Observations of the Secretary of the Treasury on the convenience of a reciprocity treaty with the United States.

873. Allusion to that treaty on speaking in the Report of the production and exportation of sugar in Mexico.

874. Importance of the results produced to nations by treatise of commercial reciprocity.

875. Conditions of the reciprocity treaty celebrated in 1860 between Great Britain and France.

876. Increase of trade between France and Great Britain in consequence of the treaty, and the celebration of other treaties.

last before the treaty, was \$163,000,000, rose in that from 1877 to 1878 to \$320,000,000, of which nearly \$200,000,000 represented articles of English manufacture, while similar articles, exported from the United States to France in the same year, hardly came to \$2,000,000. Such a prodigious result, without depriving the contracting nations of the duties of importation on the articles comprised in the treaty, inasmuch, as has already been expressed, a reduction only was made on those duties, has decided almost all the commercial nations in Europe to celebrate similar treaties, and among them negotiations have been made with France, Belgium, Italy, Sweden and Norway, the Netherlands, Turkey and Germany.

877. These astonishing results have greatly called the attention of the United States, and the North American Commission, at the last Universal Exposition in Paris, made a special study of this subject, concluding by proposing to their government the celebration of a reciprocity treaty with France. On the 30th of November, 1878, one of the members of that Commission, Mr. James Hodges, delivered a discourse in Baltimore, which contains many very important data on this subject, and in which he proposed the basis of a reciprocity treaty which, in his opinion, would be proper for the United States to celebrate with the French Government.

f. Difficulties to the Celebration of a Reciprocity Treaty with the United States.

878. The idea of a reciprocity treaty between Mexico and the United States has been received with marked caution by some persons in Mexico. The principal reasons there have been for this have been already expressed: that is, the sad recollections left by the Ocampo-MacLane treaty, and even by the agreement celebrated by the United States with the Government of the Sandwich Islands, January 13th, 1875.

879. There are, besides, other motives on the part of other persons, to look with jealousy upon the celebration of a reciprocity treaty with the United States. These motives are principally two: First, the fear that the increase of commerce with the United States might diminish somewhat the commerce that Mexico now has with European nations, for this commerce has already great interests created in this country, and they cannot but look with jealousy on any measure which appears in any way to reduce it; and, second, the fear that the United States, availing themselves of their power, might try to extort great mercantile advantages in their favor, without conceding to Mexico the corresponding compensation in benefit of her interests.

880. These fears are, in the conception of the Mexican Government, unfounded, for, on the one hand, it believes that the development of commerce with the United States, by virtue of a proper reciprocal treaty between both countries, would not diminish the commerce Mexico now has with European nations, and, on the other hand, it does not consider there would be in this country an administration that would sacrifice the interests of the nation by celebrating with the United States a treaty that should have no more reciprocity than the name, even in the case that the Government at Washington might try to obtain such a result.

g. Basis for the Celebration of a Reciprocity Treaty between Mexico and the United States.

881. In the judgment of the Executive there are certain bases the Republic might adopt to celebrate a reciprocity treaty with the United States, that might be truly advantageous to the interests of both countries, and which would not encounter any well founded objection, even on the part of persons most prejudiced on this subject.

882. One of these bases, which are mentioned here in the belief that in so doing the study of this grave subject can be facilitated, would be to select a certain limited number of articles produced in each one of the contracting countries, which have some consumption in the other, and free them from duty, or reduce considerably that which they now pay, whenever, taking into account the amount of duty paid on the said effects, for the five years previous it should appear that what the United States would cease to pay to Mexico in duties of importation, by virtue of said treaty, would be a sum equivalent to what Mexico would cease to pay to the United States for the importation of such of her products as were comprised in the treaty. It does not seem that this basis could be seriously objected to, because it would start at the outset upon the strictest reciprocity.

883. Certain it is that a treaty of this nature, once celebrated, the importation of articles declared free of duty, or the duties on which were reduced considerably, would increase extraordinarily, so that the proceeds from

877. Proposition made to the United States by their commission at the Paris Exposition for a treaty with France.

878. Reasons for which some in Mexico look with suspicion on the celebration of a reciprocity treaty with the United States.

879. Other motives in Mexico for looking askance at a reciprocity.

880. Reasons for which the Mexican Government judges those fears unfounded.

881. Bases for the celebration of a convenient reciprocity treaty with the United States.

882. Basis which the Mexican Executive believes ought to be accepted for the celebration of a reciprocity treaty.

883. With such a treaty the production of articles of exportation, and the importation of foreign goods would increase.

them that would have accrued for the preceding five years, at the same rates of duty, would come to be insignificant compared with what they would produce under such a reciprocity treaty. But one of the results of reciprocity being precisely the large increase in the importation of certain articles, and the consequent proportionate exportation of certain national products, that result, far from being looked upon with distrust, ought to be forwarded, for the consequence would be the considerable increase of the importation to Mexico of certain manufactures of the United States, which are neither manufactured here nor produce much revenue to the Treasury, and the consequent increase in the production of certain national articles, needed to pay the value of the North American goods imported, all of which increase of importation and exportation would grow up under the shade of a reciprocity treaty.

884. In this case the reciprocity would come to be equivalent to a premium granted by the Mexican Government, in favor of the exportation of certain national products, equal to the amount of the import duties Mexico should cease to receive in consequence of the same treaty. The question being examined under this aspect, it would always result in a positive benefit to Mexico in the increase of its exportation, even at the cost of the premium; and the importance of this benefit increases very considerably if there is taken into account, that the treaty being once made, the sum represented by the import duties, which, by virtue of the reciprocity, Mexico ceased to realize, equivalent to a premium on the export of its products, would be larger, as was larger the increase of the importation of North American goods paying no duty, by which the impulse given to our exportation would be much greater than that which would be received under the establishment of a system of premiums, and all this without Mexico's sacrificing more than the amount of duties being received on celebrating the treaty.

885. On the other hand, as treaties of reciprocity are entered into for a relatively limited time, there would be, at the expiration of the treaty, already some other article of importation that would yield a duty to the federal revenue, unless the goods results produced by the treaty should determine both contracting parties to prolong its term or extend its stipulations to other kinds of merchandise.

886. It would be notoriously indefensible, and would be open to great danger for Mexico, to include in the list of articles free of duty those which form the basis of its import duty, such as ordinary cotton goods and the texture of linen and of wool, for it is certain that if these articles could come from the United States free of duty, European importation could not compete with that from the United States, and the practical result would be that the United States would come to substitute the European nations in Mexico in the sale of the said articles; that the import duties of Mexico would be reduced one-half their total amount, and that the national industry would be ruined, not being able to compete with the United States in the production of ordinary cotton fabrics. The advantage which might result to Mexico under the treaty, by the exportation, free of duty, of some of its products would not compensate for that heavy loss, which, besides completely unbalancing its public revenue, would destroy its national industry. But there are, however, many other articles that are not in this case, the consumption of which is relatively limited at present, and which, considerably increased by virtue of a reciprocity treaty, would neither injure national industry nor the federal revenue. Among these are, for example, petroleum and some other North American products which neither national or European production comes in competition with.

887. There are cases, besides, in which the convenience of a reciprocity treaty is so clear that no doubt even can be thrown upon it. One of these cases, which has been alluded to already, is that which was presented on discussion in the General Congress, the proposed law on the freedom of duty on importation of foreign printing paper. It is clear that if it had been suitable to the interests of the country to exempt from all duty, or to reduce considerably the duty on foreign printing paper, it would have been preferable to grant the exemption or reduction of duties in favor of a determined commercial nation producing paper in exchange for some advantage obtained in favor of Mexico, than to make an absolute concession, from which Mexico would reap no advantage in its exterior commerce.

i. Contraband Trade Carried on in Mexico.

888. It has been intentionally omitted to speak of the commerce between Mexico and the United States which is carried on clandestinely, as well through the frontier of the neighboring nation as through the ports of

884. The import duties which Mexico would cease to receive would be compensated for by the increase of its exportation.

885. At the expiration of the term of the treaty this could be continued or modified.

886. In forming the list of free articles the interests of the revenue and of national industry will be borne in mind.

887. The exemption of import duties ought to be granted by Mexico, without a due reciprocity.

888. During a recent epoch illegal traffic in Mexico proceeding from the United States has increased extraordinarily.

the Gulf and of the Pacific, because it has not been intended to give to this exposition the character of a complaint, nor cause to appear in it any accusation ; but it is a fact which, unfortunately, is beyond any doubt, and the consequences of which have been greatly felt by the Mexican Government, that the illegal traffic in goods proceeding from the United States has increased extraordinarily in these last few years.

889. The contraband trade proceeding from the United States has been, since the beginning of this century, a motive of disagreements between both countries. In the year 1800 a North American, named Phillip Nolland, at the head of various others, entered into the interior provinces of the east with prohibited goods ; being attacked by the troops of the Viceroy, he was killed in the affray. The result of this expedition did not prevent various other individuals from attempting, with more or less success, the introduction of contraband goods. New Orleans came to be the centre from whence sallied expeditions for Tampico and Boquilla de Piedras ; afterwards the town of Independence was the starting point of caravans, which traversed the plains and carried goods to Santa Fe, and sometimes to Chihuahua, defrauding generally the custom-house duties. But the greatest development of contraband dates only from 1848, and traces its origin to Article XIX. of the treaty of peace of Guadalupe Hidalgo, of February 2d of that year, which gave certain advantageous conditions of goods introduced during the war with the United States. Brownsville and the villages on the left of the Bravo were turned into centres of contrabandists, who have been since then exercising a fatal influence on the frontier.

890. Perhaps it would be possible, in making a commercial arrangement with the neighboring nation, to decide upon certain bases, to the object that each one of the contracting parties should be protected from any illegal traffic attempted to be carried on on the part of the territory or citizens of the other, by means of issuing of certain documents by the custom-house employees of both countries or by other convenient preventive. This would be another of the results which might be obtained from the celebration of a commercial treaty between Mexico and the United States.

13. SUMMARY OF FACTS RELATING TO MEXICAN LAWS IN REFERENCE TO FOREIGN COMMERCE.

891. From the preceding account the following facts appear to be demonstrated in reference to the exterior commerce of Mexico, and principally to that part of it connected with the United States of America :

1st. That although the tariff in force in Mexico of February 1st, 1872, imposes generally high quotas on foreign goods imported into the Republic, it contains at the same time favorable provisions for exterior commerce, and which include liberal reforms over previous Mexican tariffs.

2d. That the tariff in force, of February 2d, 1872, does not prohibit the exportation of any foreign merchandise into Mexico in contradistinction to the determinations of preceding tariffs.

3d. That the tariff in force has a list which contains 75 kinds of merchandise the importation of which into Mexico is free of all duty, even municipal.

4th. That in the list of merchandise free of duty, there is included all kinds of machinery for mining and for agriculture, and other effects of North American production, the consumption of which in Mexico can increase to a considerable degree, and is, therefore, of large future.

5th. That in view of clearness, simplicity and simplifying of quotas and of custom-house restrictions, the tariff in force of February 2d, 1872, comprehends, also, notable advantages over preceding Mexican tariffs.

5th. That for the object of avoiding disturbances and consequent damages to the revenue and legitimate commerce, the system was followed in the tariff in force of imposing import duties by fixed quotas, not recurring to appraisement or invoice value, except in a few cases, when it was not easy to impose a determined quota.

7th. That the unifying of all the duties which were formerly collected in the Mexican custom-houses at different rates for the importation of foreign goods is another advantage of the tariff in force over preceding ones.

889. Contraband proceeding from the United States commenced since 1800, and became regular in 1848.

890. Probability and mode of avoiding contraband by establishing certain bases in a commercial treaty.

891. Summary of facts relating to Mexican laws in reference to commerce between Mexico and the United States.

8th. That in the tariff in force and subsequent provisions authorization has been given in the most liberal manner to port any transient trade by foreign vessels in Mexican ports; which was equally prohibited in preceding tariffs.

9th. That the tariff in force authorized also transient trade through Mexican territory, which was also absolutely prohibited in preceding tariffs.

10th. That the tariff in force and subsequent dispositions have authorized, with very few exceptions, the coastwise trade carried on in Mexican ports by foreign vessels, which was also imperatively forbidden in former tariffs.

11th. That the tariff in force opened with the greatest liberality the Mexican coast to export commerce by foreign vessels, which can load at any point of its shores, even when it is not constituted for exterior commerce.

12th. That the Report fell into various mistakes in the list which it inserted of articles produced in the United States, with the quotas of importation imposed upon them by the Mexican tariff.

13th. That in all these mistakes the special circumstance is noticeable that the quotas of the tariff in force have been raised in every case, without the appearance of a single one in which the mistake has been on the side of making the quota less.

14th. That the reason why the import duties established by the Mexican tariff are relatively high, is the necessity of obtaining resources for the Federal revenue, and the propriety of favoring the development of some industries established in Mexico.

15th. That the tariff of the United States in force imposes also very high duties on certain foreign goods, for reasons similar to those which Mexico has had for doing the same thing.

16th. That in spite of the high duties imposed by the Mexican tariff, there are many articles of commerce burdened with higher import duties in the United States tariff than in the Mexican tariff.

17th. That the tariff of the United States burdens with duties so high that they may be considered prohibitive, certain articles of Mexican production, such as sugar, brandy and tobacco, which, without this restriction, could be imported to the United States with some profit to Mexico.

18th. That the importation of machinery to Mexico, free of duty, for agriculture and mining, is of much more importance than is given to it in the Report, and has a future than can increase considerably the commerce between the two countries.

19th. That although there is not at the present time imported to Mexico all the machinery needed for the development of its elements of wealth, the use of machinery is much greater than what the Report recognizes, for there are many enterprises using the most modern, complicated and costly machines.

20th. That there is inexactitude, therefore, in the Report in asserting that the instrument of agriculture that was used on the plains of Asia three thousand years ago is that which predominates in the country now.

21st. That although there are no ports of deposit in Mexico, the lack of them is not among the causes that have contributed to impede the development of its exterior commerce.

22d. That ports of deposit have been established in Mexico at other times, and they have not given the result of increasing considerably exterior commerce.

23d. That the peculiar circumstances of Mexico do not permit the possibility of immediately establishing ports of deposit, and that it is therefore necessary to defer their establishment till a later period.

24th. That in the former tariffs, up to the present one, terms more or less long were granted for the payment of import duties, which is one of the principal advantages of ports of deposit, and that this system gave such bad results that it was necessary to modify it entirely since the year 1860.

25th. That although some States should collect municipal and local duties on foreign goods, the collection of these duties would be illegal, if they have not been imposed with the previous consent of the General Congress, according to Fraction 1st of Article 112 of the Federal Constitution of Mexico.

26th. That only in two cases, respecting the Federal District and the State of Sinaloa, has the General Congress given its consent to impose those duties.

27th. That for the collection of municipal and local duties made by the States and municipalities, without the consent of the General Congress, the importer can have recourse to the "judgment of relief" established by Articles 101 and 102 of the Mexican Constitution.

28th. That almost in every case where the importers have applied to the Supreme Court of Justice of Mexico, instituting a suit of relief, this has been granted by that tribunal.

29th. That the notices of expenses caused by the transportation of North American goods to the City of Mexico, set forth in the Report, contain various inaccuracies, which increase somewhat the expenses in fact.

30th. That the two notices expressed, referring to the importation of ham and cut nails, happen to refer to articles of commerce that are greatly burdened by the Mexican tariff, and they cannot therefore serve as a basis to judge of the cost of other kinds of merchandise which do not bear such high duties.

31st. That the basis on which to judge whether or not it is lucrative to import certain articles into a country is, rather than to confine one's self to the expense which such importation occasions, to examine into the price which that merchandise commands in the country in which it is intended to increase the demand there may be for it.

32d. That Mexico could also present a list of articles of Mexican production which it is impossible to import to the United States, by reason of the heavy duties they pay according to the tariffs in force in that country.

33d. That at the conclusion of the railroad from Mexico to Vera Cruz it was thought to qualify this capital for direct import trade, for the despatching of goods arriving in that port; but that idea was obliged to be given up, not for fear of the resistance it met with in Vera Cruz, but for grave and weighty considerations that militated against it.

34th. That it is not accurate that the invoice and manifest of foreign goods has to be prepared in twenty-four hours.

35th. That the tariff in force grants twenty-four hours, reckoned from the time the vessel arrives for the consignees to present to the custom-house the rectification of their invoices, with the object of removing the errors which these may contain.

36th. That for the despatch of goods and payment of duties merchants in general are granted twenty-five days, and those of the port of Vera Cruz have much longer grace, extending sometimes to several months.

37th. That the duty on consumption that foreign goods pay in the City of Mexico comprehends only such effects as come to be consumed at this capital, and represents now 2 per cent. on the import duty, which sum is a reduction to a minimum quota, inasmuch as up to August 12th, 1875, it had been 6 per cent.

38th. That the collection of this duty amounts to a guarantee against fraud, which is as favorable to the interests of the revenue as to those of legitimate commerce.

39th. That in consequence of the railway from the capital to Vera Cruz the merchants of both places have such great advantages over merchants established in other ports of Mexico, that they have in fact monopolized in a great part the commerce that was formerly done in the other ports.

40th. That the slight expenses which the merchants of Mexico and Vera Cruz have to sustain in railroad freights, etc., for the transportation of their goods from the port to this capital, are insignificant in comparison to those the merchants of other ports have to disburse, and they are more than compensated by the advantages which the use of the railroad gives them.

41st. That the iron pier constructed in Vera Cruz by the Mexican Railway Company, Limited, was not made, as the Report asserts, in order that the despatch of foreign goods might be verified in this capital, but in order to reduce the cost of exporting national products.

42d. That the reason of the said wharf not having been opened to commerce was, that it did not have the necessary conditions to facilitate the intervention of the fiscal agents in the operations of exportation and importation.

43d. That even though there may have existed hostility on the part of some inhabitants of Vera Cruz against the use of the iron pier, that has not been the determining cause for its disuse up to the present time.

44th. That even though the high rate of exchange in Mexico respecting foreign goods may really constitute a difficulty to the growth of exterior commerce, this difficulty can easily be gotten over by promoting the production of other exportable articles, and the price of which has not suffered the depreciation that has lately attached to silver.

45th. That it is also a difficulty to the development of commerce between Mexico and the United States, the circumstance that European merchants grant long terms for the payment of goods, while North American merchants require their pay in cash.

46th. That this difficulty does not spring in any way from Mexican legislation, nor from any determination of the Mexican Government, and that it ought to be overcome by the spirit of enterprise of United States merchants.

47th. That the difficulties of transferring coin from one point to another of the Mexican nation are not as grave as the Report presents them, and that the regulations which have been issued from time to time for this object has satisfied this necessity and the exigencies of commerce.

48th. That even though at first sight the opinion of the Report may seem to be well founded, that Mexico ought to protect the exportation of silver and tropical productions, and not try to establish manufacturing industry by protective duties, this industry exists already, and represents values of consideration which would be lost if protection should be withdrawn.

49th. That the average of commerce between Mexico and the United States, from 1826 to 1858, has been \$7,241,902 per annum, of which \$3,916,625 represents the value of Mexican effects exported to the United States, and \$3,325,377 that of United States merchandise imported to Mexico.

50th. That the commerce between Mexico and the United States has suffered in a great degree from the political relations between the two countries, having fallen off very considerably in consequence of the war between the two Republics of 1846 and 1847.

51st. That since 1858 the commerce of Mexico with France and Germany has grown in greater proportion than with the United States.

52d. That the amount of the commerce of Mexico with the United States hardly represents now 25 per cent. of the total exterior commerce of the Republic.

53d. That the amount of the exterior commerce of Mexico is at present about \$28,000,000 of importation, and as much more of exportation.

54th. That the little development there has been in the commerce between Mexico and the United States since 1867, is owing principally to the efforts of the Mexican Government, the government of the United States having done very little to increase that commerce.

55th. That one of the most efficacious measures to increase the commerce between Mexico and the United States has been the establishment of lines of steamers between ports of the two Republics, subsidized by the Mexican Government.

56th. That the New York steamers brought to Vera Cruz, in the fiscal year of 1872-3, 46,045 packages of

North American goods, and the number of packages in the year of 1877-8 was 72,140; that in the year of 1874-5 the same steamers brought to Campeche 2,305 packages, and in the year of 1877-8 the number of packages was 13,262; and that in the year of 1872-3 the total number of packages imported from New York to Mexican ports was 59,501, and in that of 1877-8, 110,161 packages.

57th. That with the object of promoting commerce with the United States, the Mexican Government has abated considerably the import duties on some North American goods, such as tobacco, called "Virginia," which was paying \$1 25 per kilogramme net, and the quota on which was lowered by the decree of June 12th, 1878, to 16 cents per kilogramme net, and such as cotton and linen pocket-handkerchiefs, the duties on which was regulated and lowered by the decree of June 30th, 1878.

58th. That from the annual reports on the state of commerce remitted by United States Consuls in Mexico to the Department of State at Washington, and which are published with the Annual Report which the United States Government presents to Congress, it appears that commerce between the two Republics is growing progressively, although not in the proportions to be desired.

59th. That there are various ways to give an impulse to commerce between Mexico and the United States, to the end that it may acquire a great development, and that the basis of this ought to be the exportation of Mexican products.

60th. That in order to considerably increase the exportation of Mexican products it is necessary to increase the production of exportable articles, such as coffee, sugar and other tropical fruits.

61st. That the mineral production can be increased without great effort from about \$25,000,000, its present amount, to \$100,000,000 or \$150,000,000 per annum, for in the United States the State of Nevada alone has produced some years more than \$100,000,000.

62d. That coffee can easily yield \$50,000,000 per annum, and sugar as much more, which articles will find a good market in the United States.

63d. That the exportation of Mexico, being increased from about \$28,000,000, its present amount, to \$200,000,000, the consumption of foreign goods would increase in the same proportion, and if United States capital and spirit of enterprise should contribute to such increase of production, American manufactures would be favored with an increase of consumption in Mexico, and commerce between Mexico and the United States, would be increased from about \$7,000,000, its present amount, to \$150,000,000 or \$180,000,000 per annum.

64th. That the United States Government has formally recognized, in official documents presented to the Senate on December 17th, 1878, that the United States has done extremely little to increase their commerce with the nations of the American Continent, and that the European commercial nations have succeeded, through their foresight and the means they have availed themselves of to establish their commerce in America, in depriving the United States of the advantages which their geographical situation on this Continent give them.

65th. That one of the most efficacious modes of giving a great impulse to commerce between Mexico and the United States is the celebration of a reciprocity treaty between the two nations, upon bases equitable and equally advantageous for both Republics.

66th. That even though a reciprocity treaty may be looked upon in Mexico on the part of many with marked suspicion, springing from the fear that the United States, taking advantage of their power, might pretend to obtain from Mexico a treaty similar to that signed at Vera Cruz December 14th, 1859, there is no fear that this will operate to impede the celebration of a treaty, because the reasons militating in favor of it are so clear and of such notorious public convenience that they cannot be objected to on any good foundation.

67th. That the Mexican Government has been studying for some time the idea of celebrating a treaty of reciprocity with the United States, wherefore, on receiving notice of the treaty celebrated between the United States and the Sandwich Islands, January 13th, 1875, it examined whether it would be convenient to accept its stipulations; and in a verbal report rendered by the Secretary of the Treasury to the House of Deputies, in the session of October 31st, 1878, before having any notice of the conceptions of the Report, the ideas of the Executive were manifested favorable to the treaty of reciprocity with the United States.

68th. That it is equally to be hoped that on the celebration of a commercial treaty between Mexico and the United States some provisions might be agreed upon which should have for their object to prevent, inasmuch as depends upon both governments, the contraband which is being carried on from one to the other Republic.

II. MINING IN MEXICO.

892. After speaking of the tariff and Mexican laws in reference to exterior commerce, the Report occupies itself with the question of mining, and the duties and expenses that weigh upon it, and emits some conceptions very fitting, and therefore worthy to be repeated; but unfortunately it falls into some mistakes which it is necessary to rectify, and which assuredly proceed from the fact that in making the study of this subject data were not to be had as complete and accurate as those existing in this Department, and which have served in writing this exposition and other previous labors in reference also to mining.

893. The mining question is, in fact, one of the most arduous and important that can be presented for the consideration of Mexican statesmen. The extraordinary mineral wealth of this country causes it to be considered as essentially a mining country, and all its great advantages for agriculture and even for the carrying trade to be eclipsed and even forgotten in the consideration of its great mining resources. When the extraordinary prosperity is taken into account which the State of California and some others in the western part of the North American Union have acquired in drawing out of the bowels of the earth a small portion of its precious metals, it will be comprehended to what point it might rise in Mexico, so favored by nature with rich and abundant mines, if for the opening up of this wealth the necessary capital could be disposed of here, and how great would be the prosperity of this country if the opening up here were possible in the same proportions that it has been done in California, in Nevada and in some other States of the American Union. Baron Von Humboldt announced that when the American mines should be worked on a large scale there would be a considerable depreciation in the value of silver, and this indicates the great idea he had of the wealth in the mines of Mexico.

894. Neither the provisions of the Mexican laws on mining would, however, be understood, nor the difficulties there are to modifying them in a radical and suitable manner, if a slight exposition on this subject were not made. In order to speak methodically on this important matter, the following points relating to mining in Mexico will be considered separately:

1. Conceptions of the Report on mining in Mexico.
2. Slight sketch of mining industry in Mexico.
3. Necessity of granting privileges to mining.
4. Efforts of the Executive to liberate mining from the burdens it now bears.
5. Rectification of some inaccuracies contained in the Report concerning mining in Mexico.
6. Summary of facts relating to the development of mining in Mexico.

I. CONCEPTIONS OF THE REPORT ON MINING IN MEXICO.

895. The Report states that according to the testimony of practical and experienced North American mining engineers it can be assured that this country would afford to American capitalists a rich and fruitful field for the employment of their capital in gold and silver mines, if the two essential conditions of expense and protection could be found favorable; it declares that the subject of protection will be considered in another part of the Report, and that the mining business of Mexico, in which American capital might be invested, and the imposts to which it is subject, was considered at length in a speech delivered by the Hon. John W. Foster before the New Orleans Chamber of Commerce in 1875, and that the conditions of business in regard to mining not having changed since then, it prefers to mention what was said on that occasion.

896. It states, in continuation, with reference to the speech named, that the principal spring of Mexican wealth lies in its mines, above all in those apparently inexhaustible ones of silver; that these are found across the whole extent of the Republic, and that their richness has been known by the whole world for more than three centuries.

892. The mining question in Mexico. Conceptions of the Report on mining which it is proper to rectify.

893. Mexico is considered as essentially a mining country by reason of the great abundance of its precious metals.

894. Points in reference to provisions on mining, and the difficulties to a radical modification of them.

895. Opinion of the Report respecting the difficulties to the investment of capital in mining enterprises in Mexico.

896. Silver mines considered as the principal source of the wealth of Mexico.

897. It calls to notice that in the year from 1876 to 1877 exportation decreased to \$28,700,000, that that of gold and silver was about \$23,000,000, and that the total exportation of all kinds of articles during the year last past was \$31,600,000, of which sum \$25,052,909 were of gold and silver. It declares, also, that the condition of mining does not now present a flourishing aspect, although the results of the labor in some localities are very satisfactory and productive; it states that the modern methods and advancements made in mining have not, in Mexico, generally been put in practice as in the United States, and that, in consequence, disadvantages have to be contended against here respecting the amount of the metals taken out, and the profits obtained in the working of the mines. It opines that the principal impediment to the development of this industry are the heavy imposts on its products that have been established both by the federal and the State Governments, and the consequent expense of exporting silver coin or bars. It states that in 1868 the duties and expenses disbursed in the transportation of silver sent from the City of Mexico, or rather from Real del Monte, to the Bank of England, amounted to 25 per cent., of which sum more than 20 per cent. belonged to federal and local duties; that this was so manifestly oppressive that a commission was named by the Government for the purpose of investigating this subject, and that the commission proposed, as the only method of raising this industry to the degree of prosperity it is susceptible of, the absolute exemption of all duty on gold and silver; but that, unfortunately, this recommendation has been only in part put in practice.

898. It adds that after a close examination of the conditions of mining industry, and of the restrictions and taxes that weigh upon the exportation of silver, it finds that the placing of silver in the Bank of England or in New York costs, $3\frac{1}{2}$ per cent. when it proceeds from Real del Monte, and when it is remitted from Guanajuato, or other places of the interior, from 14 to $15\frac{1}{2}$ per cent.; that of this sum about $10\frac{1}{2}$ to 12 per cent. belongs to local and federal duties. It declares, also, that the necessities of the national Treasury have been the motive for the imposition of these heavy duties, inasmuch as its funds have been reduced to a deplorable condition during so many years of civil discords, and that mining being one of the principal springs of wealth, and the branch most apropos for the imposition of duties, it has been made to contribute considerably to public expenses, to sustain the constitutional governments as well as the revolutionary ones; but that, with the re-establishment of peace and of a stable government, intelligent public men recognize the errors that has been committed in imposing taxes on the existence of this important branch of the industry of the country, and that as prosperity develops the ability to facilitate resources by other means, it is more than probable that these burdens upon mining will be considerably diminished.

899. The relative part of the speech delivered in New Orleans being thus concluded, the Report expresses that it is to be regretted that the hopes then expressed in respect to the relief of this important industry have not been realized up to the present time; that the revolution of 1876 dissipated the hopes of an era of peace, overturned the government, and it has not been possible, on account of the condition of the Mexican funds, to modify or abolish the export duties on silver.

900. The Report presents afterwards a specified notice of the expense attaching to the sending of silver from Real del Monte to the Bank of England, which expense amounts to $13\frac{1}{2}$ per cent., in the following form:

"I insert in continuation the tariff of imposts on silver (formed in 1875), which imposts have not experienced any change.

"Statement of expenses which have to be disbursed in the exportation of silver extracted from mines near the City of Mexico (we will suppose Real del Monte), from the mine to the Bank of England:

	Per Cent.
Freight from the mine to the mint in Mexico, including escort.....	0 75
Expenses of coinage of bars in dollars, etc., which must be paid whether the bars are coined	
or not, (4.41 per cent.).....	4 50
Tax on assay, municipal duties, loss on silver in miscoinage, etc.....	1 00
Expenses of commission in Mexico.....	0 25
Boxes, packing and minor expenses, including stamps.....	0 $12\frac{1}{2}$
Freight from Mexico to aboard the steamer.....	0 50
Export duties.....	5 00

Carried forward..... 12 $12\frac{1}{2}$

897. Exportation according to the Report in the year from 1876 to 1877. Present state of mining and partial suppression of its incumbrances.

898. Present cost of placing silver in England, and probability that these burdens will be diminished.

899. The modification or abolition of duty on silver was impeded by the revolution of 1876.

900. Statement of expenses occasioned by the remittance of silver from the mines of Mexico to the Bank of England.

Brought forward.....	12 12½
Freight by steamer to London.....	0 50
Insurance from Mexico to London.....	0 62½
Expenses of commission in London, ¼ to 1 per cent.....	0 25
Minimum expense of bars exported from this district.....	13 50
To this should be added other expenses on bars brought from the interior, to wit: Duty on circulation imposed in certain States, being in some 1¼ per cent., and in others 1⅞ per cent., but ½ to 1 per cent. on the average freight expenses.....	2 00
Average of expenses disbursed in conveying bars from the interior.....	15 50
"The preceding showing does not include the local imposts on the mines and smelting houses."	

901. The Report closes that part of it in reference to mining, by bringing to mind the losses the Mexican miner suffers in extracting the percentage of gold in their silver, in these terms:

"The separation of the silver and gold from the bars which contain both metals is subject to enormous imposts if the said separation is made in the Mexican mints. As this expense varies according to the percentage of the gold, it is impossible to calculate the exact loss the Mexican miner has to suffer, but the loss is great. If the separation is made abroad the miner loses the expenses of remittance, insurance, etc., and at least three months' interest.

"In the Mexican mints they only separate the gold when the marks (8 ounces) of silver contain sixteen grains of that metal. In England it is separated from four grains upwards.

"Some Mexican mints have none of the means necessary to separate the gold from the silver. Consequently they coin dollars which contain gold. The dollars of Guadalajara and Durango have about 2 per cent. more than those of Mexico and Guanajuata, and for this cause they are better for exporting. Those of Oaxaca have 4 per cent. above value."

Expenses on silver.....	\$15 50
As the greater part of Mexican silver contains gold, for the reasons above stated, the loss on the total production of precious metals ought to be estimated at least at.....	3 00
Loss on production calculated between duties collected and heavy expenses of coinage, etc., without taking into account local imposts.....	18 50

902. To conclude the part referring to mining, the Report makes allusion to the imposts which the State of Hidalgo collects on mining, which will be spoken of in its proper place.

903. It is noticeable, the great difference there is between the conceptions expressed by the United States Representative in 1875 and in 1878. It is true, that in the course of those three years there have occurred disagreeable events and incidents which may cause the firmest spirit to hesitate; it is true, also, that this difference of opinion is explained in the first part of this Report, in which he sets forth that the ideas formed by its author, during the first years of his residence in Mexico, have suffered an unfavorable change, by reason of the experience he has acquired in this country; this change appears very palpable in comparing what was expressed in 1875 with what is said in the Report; but it is to be supposed that the very desire to see his flattering hopes promptly realized, and the disappointment occasioned by seeing the realization of those hopes deferred, may have produced that change, which, like all extraordinary excitement, is subject to a reaction.

2. SLIGHT SKETCH OF MINING INDUSTRY IN MEXICO.

904. In order to give, in a hasty manner, a slight idea of the course mining has followed in Mexico, it is proper to consider with due separateness the following points:

- A. Production of mines in Mexico, and incumbrances to mining during the colonial regimen.
- B. Privileges granted to mining at the consummation of independence.
- C. Growth of mining by virtue of privileges granted at the consummation of independence.
- D. State of mining during the years from 1821 to 1830, according to the Records of Foreign Relations.
- E. New incumbrances imposed on mining by the Mexican Governments.
- F. Privileges proposed and granted to mining since 1868.

901. Loss suffered by the Mexican miner in duties, expenses and bad assaying.

902. The Report concludes the part relative to mining in speaking of the imposts it pays in the State of Hidalgo.

903. Difference noticeable between the conceptions expressed by the Hon. John W. Foster in 1875 and in 1878.

904. Subject which will be considered in order to give an idea of the course mining has pursued.

A. Production of Mines in Mexico and Incumbrances suffered by Mining during the Colonial Regimen.

905. There are no exact data of the total production of precious metals in Mexico during the Colonial regime, nor even of the amount of those metals that was carried out of New Spain while it remained a Spanish colony.

906. The only datum that may serve to estimate the total production of silver in Mexico is the coinage made in the various mints established in New Spain. Gathering together all the data that have been obtainable on this point, and principally those inserted in the Records of Public Works of Sr. Siliceo of September 16th, 1857, there was set forth in the Records of the Treasury of September 16th, 1870, (paragraph 3594, page 968,) a notice of the coinage done in the mint of Mexico from 1537 to 1870.

907. In that notice is comprised the total product of each mint, from the time of its establishment up to 1857, and the coinage done in subsequent years up to 1870 is added. It cannot be deduced, then, from the mentioned notice, what the coinage was in Mexico up to the year 1821, in which independence was consummated; and, although this datum might be obtained by making a study of the details of the notice which served to form that set forth in the Records of the Treasury of September 16th, 1870, it is not considered necessary at present to undertake that labor, which, besides requiring some time, would enlarge the dimensions of this exposition.

908. Taking, then, only the data of the notice of coinage set forth in the Records of the Treasury of September 16th, 1870, it appears that the total coinage of silver, made from 1537 to 1857, in all the mints there have been in Mexico, was \$2,534,115,682 31 $\frac{1}{4}$

The coinage of gold during the same period was 96,892,542 56 $\frac{1}{4}$

That of copper was 5,737,730 46 $\frac{1}{8}$

And the total coinage during the expressed period \$2,636,745,955 34 $\frac{3}{8}$

The average of the coinage during the 321 years elapsed between 1537 and 1857, comes to be, then, \$8,214-16r 85, respecting the three metals, and respecting silver alone, \$7,894,441 38.

909. The production of silver in Mexico undoubtedly exceeds the amount of that metal coined in the mints, because no insignificant part of the silver was exported in bars, or in objects of art, such as plate and others, and another part, also considerable, was devoted to the manufacturing of adornments for churches and for use in the houses of the well-to-do families. It can be considered, without the least exaggeration, that the total amount of silver produced represents 15 or 20 per cent. more than was coined.

910. According to the data set forth in his writings on mining in New Spain, by Sr. Elhuyar, a practical and judicious man, the usual production of silver at the middle of the seventeenth century was estimated at half a million of "marks," or \$4,000,000, calculating the "marks" at \$8, for in the year 1630 the "marks" of silver coined amounted to 601,065. From that year the extraction of silver commenced to decline, and in 1700 the coinage did not exceed 397,543 "marks." The duties then collected on mining were 20 per cent. government tax, 1 $\frac{1}{2}$ per cent. for assaying, casting and marking, and those of the Crown and coinage, in making into money, without mentioning others of less importance; these three imposts together amounted to 26 per cent., and the high rate of these duties caused the products of mining to go on progressively diminishing, and to the degree that the mines became more difficult to work, from their extent and depth. This fact being recognized by the Spanish Government, it abated partially and temporarily those duties in some localities; but, further, in 1671, the one-fifth duty was lowered to one-tenth throughout the Viceroyalty of New Spain.

911. The royal edict of December 30th, 1715, granted that grace for six or eight years to the silver merchants of Real de Zacatecas, and the effect of this reduction made itself felt immediately, for in comparing the two decades before and subsequent to the year 1711, there was an increase in the amount of the Government tax of \$852,031 in the second over the first.

912. This eloquent result induced the Spanish Government to generalize in New Spain the same concession made to Real de Zacatecas, which was verified by edict June 19th, 1723, extending it, at the same time, to gold.

905. Want of exact data on the production of the precious metals during the colonial regimen.

906. The data on coinage from 1537 to 1870 may serve to estimate the total production of silver in Mexico.

907. Reason why separate estimates are not made of amounts coined before and after Spanish domination.

908. Coinage made by the mints of Mexico from 1537 to 1857.

909. The production of silver can be estimated at 15 or 20 per cent. more than the quantity coined.

910. Data of Sr. Elhuyar on the production of silver in the seventeenth century and the duties it paid.

911. Reduction from a fifth to a tenth in 1715 for Zacatecas, and increase of the receipt of duties.

912. Extension of this measure for all New Spain and Peru and the considerable increase of coinage.

Twelve years afterward Peru was made a participant in this grace. The good result of this liberal measure made itself felt immediately for the average of annual coinage had risen from \$5,500,000, which it was towards the year 1820, to nearly \$12,000,000 at the middle of the last century, according to the data set forth by Humboldt in his essay on New Spain, (volume 3d, page 194).

913. The progress mining attained with this impulse had again declined, because of the greater expense of the mines from their greater depth and other reasons, and it was necessary to come to their help by lowering the price of quicksilver, which had been solicited since the year 1727, without having been obtained until the edict of November 24th, 1767, reduced the price from \$82 72, which up to that time it had been worth per quintal, to \$62 03. The consequence of this grace was an increase of 806,309 "marks" of silver in the coinage of the five years subsequent to the reduction on quicksilver over the five years before, and a profit to the Royal Treasury of \$1,434,641 in the larger treasury of taxes and duties of monetization. The consumption of quicksilver rose from 35,755 to 42,618 quintals, in consequence of its reduction in price.

914. So clear a demonstration could leave no doubt respecting the propriety of a reduction in the price of quicksilver, and by order of October 4th, 1776, it was ordered to again reduce its price per quintal to \$41 36, at which price it was sold afterwards without any alteration. The growth which the extraction of silver took on with this new grace was great, for, from the comparison made by the quicksilver office, between the two lustrums from 1772 to 1776, and from 1777 to 1781, there resulted an increase of 2,331,423 "marks" of silver coin in the second over the first lustrum, and a gain for the royal coffers of \$1,459,358, the consumption of quicksilver having risen to 59,221 quintals in the second lustrum.

915. That which it might be considered the Spanish Government lost by the reduction of the price of quicksilver, it recovered with usury in the increase of government and coinage duties, so that, even as a financial measure, intended to increase the income of the royal chests, the reduction in the price of quicksilver was favorable to the Spanish Government, and more especially to the development of mining in Mexico.

916. These notable results determined the Spanish Government to decidedly protect mining, putting it on its feet and relieving it of the crown tax, which was collected on silver since 1730, and reducing in 1777 the one-tenth and the 1 per cent. which gold paid to only 3 per cent., and exempting in 1783 the excise duty on effects consumed in mining. In 1801, mining powder was reduced from six "*reales*" per lb. to four, and in 1802, mining was relieved of one-half of the government duty on silver.

917. By virtue of these liberal measures adopted in favor of mining, this industry came to acquire great development and prosperity, and the statistics of coinage of the first years of this century, manifest that in one of them, it came up to the figure of \$27,000,000, which it has not reached again since then. The progressive increase, which characterized the public rents of the Vice-Royalty during the period of which we have just spoken, permits an estimate to be made of the general increase which resulted to the royal coffers from the development of mining. Sr. Elhuyar, taking his data from the Royal treasury statistics of New Spain, by D. Joaquin Maniau, demonstrates that the total product of the rents in the year 1712, amounted to \$3,062,410, in that of 1764 to \$6,000,000, in that of 1777 to \$12,000,000, and in that of 1792 to \$19,000,000.

918. The practical demonstration of the results which privileges granted to mining have given in different periods, will be found set forth in the following comparative statement of silver coinage and public rents of Mexico in various periods of the Colonial Government, which was formed by the Committee on Imposts of the Mining Bureau, convened in this capital in May, 1868, and which was inserted in the Records of the Treasury for 1870, p. 976, paragraph 3,611.

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- 913. Reduction in the price of Quicksilver in 1767, and the increase of coinage and royal rents.
 - 914. Further reduction in the price of quicksilver in 1776 and the favorable result for coinage and the royal coffers.
 - 915. Pecuniary advantages obtained by the Spanish Government by the reduction in the price of quicksilver.
 - 916. New liberal measures in favor of mining enacted from 1777 to 1802.
 - 917. Favorable result to Spain and its colony of the liberal measures in favor of mining.
 - 918. Comparative statement of the coinage of silver, and of the public rents in Mexico in different periods.

COMPARATIVE STATEMENT

Of the Productions of Silver Coinages and Public Rents of Mexico in the periods as expressed of its Colonial Government, formed from the data presented by Baron von Humboldt, in his 'Political Essay on New Spain,' vol. 3d, pp. 187 and 188, and vol. 4th, p. 219.

Periods.	1700.	1711 to 1720.	1763 to 1767.	1766 to 1769.	1773 to 1776.	1777 to 1779.	1780 to 1784.	1785 to 1802.	1805 to 1806.
Concessions made to mining.....		Reduc'n of tax from a fifth to a tenth in 1716.		1st reduction on the price of quicksilver in 1767.		2d reduction on quicksilver in 1776.	Very ample protection.		
Production of silver marks	397,543	7,881,493	6,446,776	5,393,284	7,356,930	6,962,928	11,431,814	42,738,597	5,465,527
Average per year.	397,543	788,143	1,289,355	1,348,321	1,839,232	2,320,976	2,286,363	2,514,035	2,732,763
Coinages of silver and gold.....	3,379,122	66,910,763	54,797,627	45,842,907	62,533,408	57,946,930	100,185,626	378,451,416	51,901,908
Annual averages..	3,379,122	6,691,076	10,959,522	11,460,727	15,633,352	19,315,646	20,037,125	22,261,848	25,950,958
Public rents, yearly average	We have no data.	3,068,400	6,169,964	8,000,000	12,000,000	14,500,000	18,176,479	1785.18,770,000 1789.19,044,000 1792.19,521,000 1802.20,200,000	We have no data.

MEXICO, May 25th, 1868.

MIGUEL VELASQUEZ DE LEON.
ANTONIO DEL CASTILLO.
IGNACIO RULE.

919. The imposts with which mining was burdened at the time of the consummation of independence were, besides the duty on the exportation of money, as follows (Records of the Treasury of September 16th, 1870, paragraph 3,482, page 942):

One per cent.

Tithing (10 per cent.).

Real de senoreage ($12\frac{1}{2}$ per cent. to the crown).

Eight "maravedi" for refining each "mark" of silver paste.

Twenty-six "maravedi" for "mark" of mixed paste, because of waste in separation.

Four ochavos (8 maravedi) on each piece of silver and half an ochavo on each piece of gold in tax to the mint.

920. These imposts represented a quota much less than the duties collected in preceding periods by the Spanish Government, for they were considerably reduced from the sums they had amounted to before.

B. Privileges granted to Mining at the Consummation of Independence.

921. At the consummation of independence, and having fresh in the mind the recollection of the great impulse which mining had received with the privileges granted to that industry in the last years of the Spanish domination, one of the principal acts of the first Mexican independent government was to grant new privileges to the mining industry of the country.

922. The law of November 22d, 1821, suppressed all imposts established on mining by the Spanish Government at the last hour, and of which we have just spoken (paragraph 919), and others which, during the war of independence, had been collected on money, and on gold and silver pastes, establishing the sole duty of three per cent. on the value of the gold and the silver. The protection granted to mining by the law referred to was not limited to freeing it from the imposts indicated, which was already a great step given in the wise policy of granting privileges to the branch of industry called to make the prosperity of the nation, but it fixed with the

919. Imposts on mining on the consummation of independence, besides the duties of exportation.

920. The total of these imposts was much less than that of those collected during former epochs.

921. System of immunities to mining followed by the first independent Mexican Government.

922. The law of November 22d, 1821, reduced imposts, and granted free exportation of prime materials.

same object the maximum of the sums that should be paid for separating and monetizing; it declared gold and silver free in their exportation, being once affixed the seals accrediting the payment of the duties; it determined that the prime materials of larger consumption in the working of mines, such as quicksilver, should be free of import duty, and that mining powder, which was then monopolized by Government, should be supplied to miners at cost.

923. The tariff of December 15th, 1821, burdened the exportation of precious metals with the following duties, which are less than those which have been collected since:

Gold, coined.....	2	per cent.
Idem, worked in silverware, etc.....	1	" "
Idem, in paste.....	3	" "
Silver, coined.....	3½	" "
Idem, worked in goldware, etc.....	3	" "
Idem, in paste	5½	" "

924. The policy of immunities to mining being hardly initiated by the law of November 22d, 1821, and the tariff of December 15th of the same year, it suffered the first blow by the law of January 14th, 1822, which in its 20th article, on declaring said tariff in force, prohibited the extraction of gold and silver in paste.

925. The law of March 22d, 1822, ratified the system of freeing mining industry, determining that money could travel freely, and that upon extraction it should pay no more duty than that fixed in the tariff of December 15th, 1821, which should be satisfied precisely at the ports.

926. The law of June 11th, 1822, imposed on money the duty of 2 per cent. on circulation, which it suffered after many modifications, and was the beginning of a new impediment to mining.

927. The law of October 29th, 1823, exempted, capital going to the mineral districts, from the duty on circulation imposed on money.

928. The law of February 13th, 1824, determined that all quicksilver should be admitted that were presented at the ports without investigating their origin.

929. The law of May 10th, 1826, declared free of all duty, even of those collected by the States on textile goods, national products and effects destined for exportation, excepting gold coin, which should pay 2 per cent., and silver coined or worked, which should pay 3½ per cent.

930. The law of May 20th, 1826, which extinguished the Tribunal of Mining, decreed that the real (12½ cents) import on mining should cease as soon as the obligations and debts of the supposed tribunal were satisfied.

931. The tariff of November 16th, 1827, expressly prohibited, under penalty of confiscation, the exportation of gold or silver in paste, stone or dust.

932. The law of July 19th 1828, derogated the prohibition established by the tariff of November 16th, 1827, for the exportation of gold and silver, and decreed the collection of seven per cent. export on the value of said metals.

933. This cursory statement of the laws issued for the mining business in the first eight years of the political life of Mexico as an independent nation, demonstrate that the legislators of that period comprehended the propriety of freeing that business from every incumbrance that might impede its development. The pressing circumstances of the French, however, on one hand, and the retrograde ideas infiltrated into the masses, impeded the realization of freeing mining from the trammels standing in the way of its development. For a long time the vulgar belief was held, that the wealth of a nation consisted only in the amount of its precious metals coined, and that its ex-

923. Export duties on precious metals according to the tariff of December 15th, 1821.

924. The law of January 14th. 1822, prohibited the exportation of gold and silver in paste.

925. The law of March 22d, 1822, on free transit of money and payment of export duties in the ports.

926. Duty on circulation imposed by the law of June 11th, 1822.

927. The law of October 29th. 1823, excepted the duty on circulation on money destined for the mining districts.

928. The law of February 13th, 1824, admitted all quicksilver into the ports of the Republic.

929. The law of May 1st, 1826, authorized the free exportation of national products except gold and silver.

930. The law of May 20th, 1826, extinguished the mining tribunal and abolished the "real" impost on mining.

931. Prohibition to export gold and silver in paste, stone, or dust, by the tariff of November 16th, 1827.

932. Derogation of the prohibition to export gold and silver in paste, &c., by the law of July 19th, 1828.

933. Causes which, in the first years of independence, impeded the realization of the project to disencumber mining.

portation ought to be limited by restrictions in order that the nation should not be deprived of its wealth. It was not comprehended by many that this manner of proceeding stopped up the principal source of wealth, and that exportation was not impeded, but, on the contrary, capital went out of the country which otherwise would have been invested in the opening up of new sources of wealth.

C. Growth of Mining by virtue of privileges granted it at the consummation of Independence.

934. Thanks to the system of immunities to mining, although followed by halves, it succeeded in giving an impulse to this industry, which came to take it out of the prostration in which it had been left by the war of Independence, by obtaining the investment in the same of large foreign capital.

935. It is to be regretted that the bad management of that capital and other causes, among which figures the want of foresight of the capitalists and of their managers, caused the enterprises in which they had invested to break to pieces, contributing to discredit greatly this important branch of wealth in Mexico.

936. The best way of informing on what then passed in Mexico respecting the investing of foreign capital in mining enterprises is to set forth the following fragment, taken from "Mexico and its Revolutions," by Sr. D. Lorenzo de Zavala.

"The reader will recollect the ardor with which the English embraced mining negotiations from the beginning of 1824 to the end of 1827, when they began to receive very costly disappointments. Cunning speculators had succeeded in getting large sums out of the purses of the English people by offering the shareholders inexhaustable treasures in the immense riches inclosed in the mountains of Guanajuato, Sombrerete and Mineral del Monte; and the English people, essentially enterprising and commercial, believed to have found a new spring of wealth in those brilliant speculations. From the year 1826 to May, 1829, the English shareholders had spent in the mines of Oro, Guanajuato, Zacatecas and Sombrerete, \$5,129,157. Machines, agents, commissions, food, were sufficient to consume not only this sum, but all the wealth of England. I have seen a large quantity of pieces of bronze, iron and steel, scattered on the road from between Mexico and Vera Cruz belonging to machines destined for the mines; and it cannot be denied that although there have been among the agents many persons recommendable for their application, intelligence and economy, others have managed the enterprises with culpable abandonment and negligence.

"The products of the mining referred to during the same years were \$2,603,447, resulting consequently in a deficit of \$2,794,400. From this sum there must be deducted \$61,871 for the excess in the value of the gold; an increase of profit above expenses in 1829 of \$149,004, and the value of the heaps of mineral earth on hand which was calculated to amount to \$479,667; and these three sums being deducted from the \$2,794,400 of the deficit, results in the loss up to May 30th, 1829, of \$1,913,305, a very small sum, if the obstacles are considered which had to be overcome to put those mines in working order, most of which were delapidated and filled with water. On Mineral del Oro it is noted that nothing was produced in the year 1826, having caused an expenditure of \$161,984; that in 1827 it yielded only \$359, having disbursed in expenses \$102,771, and that in 1828, costing \$13,498, it produced \$74,505. The mines of Sombrerete and Zacatecas have made the same progress.

"In spite of these visible advancements, mining shares have experienced a progressive decrease in the London market, contrary to the hopes offered by the increased products of this daring speculation; but the English, as solid in their calculations as positive in all their transactions, political as well as commercial, have abandoned an enterprise as exposed to the unforeseen disasters of a country subject to continued dissensions, as to the mysterious caprices of nature, whose profundity has hidden from the exquisite investigations of the wise the means of knowing by fixed rules where the places are in which she hides these kinds of riches. Trouble enough has it brought to mortals on the face of the globe.

"Commerce commenced, as has been already observed, to go into a decline after the events of the "Acordada," and more than all for fear of the Spanish expedition which was prepared, took place and ended during the course of the first eight months of this memorable year. Mercantile transactions were paralyzed, and it is certain that an uneasiness was noticeable which gave no room to those negotiations which require tranquility and confidence in the protection of the authorities and the observance of law."

937. Unfortunately the Governments of Mexico have not, since the Independence, followed a uniform conduct in regard to mining, for while one of the first acts of the first Administration was to repeal the imposts of

934. Investment of foreign capital, and relief of mining in consequence of the adoption of the system of immunities.

935. Damages caused to mining by want of foresight and bad management of mining enterprises.

936. Statement made by Sr. D. Lorenzo de Zavala of the causes for the breaking up of the foreign mining companies.

937. System of vacillation generally followed respecting mining by the administrations of Mexico.

the colonial regime which incumbered mining, as has been already manifested (paragraph 921), some subsequent provisions again imposed, and came to leave this industry under even more incumbrances than it was suffering during the last years of the colonial regime.

D. State of Mining during the years from 1821 to 1830, according to the Records of Foreign Affairs.

938. The best method of informing of the progress made by mining during the first years of Mexican Independence, by virtue of the immunities then granted to it, is to set forth the reports respecting this industry, which were given by the Executive to Congress in its annual Records. The Secretaries of Foreign and of Domestic Affairs, who had under their charge during the first years of our Independence, the branches which have since passed to the Secretary of Public Works, made in their annual Records some observations regarding mining, in which is noticeable the interest with which this industry was then viewed, of which those considered most important are set forth in continuation.

939. In the Records of Foreign Affairs which Sr. Lucas Alamazo presented to the Constituting Congress on the 1st of November, 1823, the following estimations are found :

"It is a settled principle among economists, that the most direct encouragement that can be given to agriculture and industry, is to facilitate the consumption of its products and the sale of its manufactures. If the mines among us are considered from this point of view, it will be found that nothing contributes as much as they to the prosperity of those essential branches of public wealth. The great number of hands they give employment to, the beasts used to run the machines, and for the transportation of minerals, the consumption, therefore, made of the cereals as well as of tallow, paper, iron, etc., give a powerful impulse to agriculture, arts, and trade. If solid proofs were needed to convince of these truths, which are contested only by some spirits preoccupied with the paradoxes of systematic economy, they can be obtained by comparing the state of our mining provinces like Guanajuato and Zacatecas, before the year 1810, with that of the present time. Abundance and prosperity then reigned in one and in the other; the husbandman found in those rich districts a quick and certain market for his products; the blacksmith, the carpenter and the mason, a constant demand for their industry; the merchant a large consumption of the goods he bought, and the treasures taken out of the bosom of the earth were diffused to the most distant provinces, vivifying them all, in payment for tallow, lumber, salt, magistral, horses and mules, which came in from all parts.

"The nature of our minerals is also another powerful cause for these happy results; generally poor in the pure metals but rich in quantity, they require for their extraction a multitude of machines and ingredients, and, consequently, it can be said that the miner only digs out funds to distribute profusely among laborers, merchants and artisans; it being conclusive that the prosperity of these depends principally on the impulse given them by mining, the principal motive power in our nation of all the other branches of industry. Hence it is inferred, the encouragement given it redounds indirectly to the benefit of these; and if one wishes to animate the latter, he must commence by stimulating the former. These were the basis motives for granting a reduction of duty conceded by the Spanish Cortes, and confirmed by the provisional council; a reduction which perhaps preserved mining in this epoch, and which ought to contribute much to re-establish it.

"We ought to flatter ourselves that we may soon attain to seeing it flourish; various foreign capitalists are preparing to invest large sums in draining and providing certain of the principal mines, which by the sad effect of the war, are now incapacitated and unworked; the steam engines it is proposed to bring, and of which two are now being established, one in Temascaltepec and the other in Real de Catorce, will contribute powerfully to so important a result. The former sovereign Congress, for the purpose of facilitating supply-contracts with wealthy foreigners, with whom some have already been celebrated, repealed the laws and articles of the Ordinance prohibiting them to acquire property in the mines, although wisely circumscribing the power given them to do so, to only the mines they furnished, without the power of "denouncing" others, nor discovering new ones; this providence will be a new stimulus to attract hitherward funds that are needed, and which cannot be obtained by any other means."

940. The hopes manifested by Sr. Alaman respecting the progress of mining were not illusory. In the Record which, as Secretary of Foreign Affairs, he presented January 11th, 1825, to the first Constituting Congress, he said on the important subject :

"The mines are the source of the real wealth of this nation, and all that some speculative economists have

938. Progress of mining in the first years of independence by reason of the interest with which it was looked upon.

939. Fragment of the records of Foreign relations of November 1st, 1823, in reference to mining.

940. Fragment of the memorial of Foreign Affairs of January 11th, 1825, in reference to the investment of foreign capital in mines.

said against this principle has been victoriously rebutted by experience. So we have constantly seen agriculture, commerce and industry follow the progress of the mines, advancing with these, and decaying in the same proportion. The reason for this connection between these different branches, essential to the prosperity of the nation, is the nature of the greater part of our minerals, poor in pure metal and exceeding abundant in quantity. Hence follows the necessity of employing a multitude of hands, of machines and of horses, as well for their extraction as for their realization, which gives place to an immense consumption, which is equivalent to a consideration of products, and which at the same time gives an impulse to all the arts, and in particular to agriculture. So it is that the encouragement given to mining is given also to these and the re-establishment and prosperity of them all, and consequently of the nation, is simultaneous.

"In the Record which I presented to the sovereign constituting Congress, I enlarged more on these ideas, and I announced that we ought to flatter ourselves of being able to soon see this important business flourishing because foreign capitalists were preparing to invest in its encouragement, the large sums that were being needed, and in vain expected from national sources. Events have confirmed my announcement; these companies have been formed in England for the working of the mines, with very considerable capital, and another in Germany for the same object. They are working in furnishing the rich mines of Mineral del Monte, Guanajuato, Valenciana, Rayas, Cata, Sirena and other smaller ones, some more being contracted.

"In Catorce work has been undertaken on the mine of 'Guadalupe,' and the drainage is accomplished on that of 'Concepcion' by means of a steam pump. Another machine of this kind has also been established at Temascaltepec, and the success it has had in this district, as well as in Catorce, has evidently proved how preferable it is for mines, over all others, in all places where sufficient fuel permits its establishment, although for general use it may be difficult to decide on its convenience. A great impulse, then, has been given in mining; there is a general hopefulness, and after so many years of paralyzation and decay, we see a new epoch again drawing nigh, of prosperity and wealth. Heaven grant it may be so! And to the general satisfaction which these hopes inspire, it may be permitted to me to write the particular one which must come to me from the part that I have had in bringing them into being.

"If the investment of foreign capital in the encouragement of our industry be considered in a political aspect, it will certainly appear as an important advantage, this connection of interests, by virtue of which our destiny cannot be indifferent to the commercial people of Europe, who have declared so loudly for the recognition of our independence, and who have made it, so to say, their own cause."

941. Since 1825 the question of re-establishing the imposts on mining, which existed during the colonial regimen, and were suppressed by the law of November 16th, 1821, has been debated with great earnestness. So intelligent a man as Sr. Jose Ignacio Esteva, Secretary of the Treasury at that time, was the one that sustained the said system most earnestly, and which was opposed by the Committee of Finance of the Senate, under the direction of Sr. D. Francisco Garcia, a notable statistician, who had a practical knowledge of mining. In fact, Sr. Esteva, in his Record of the Treasury of January 1st, 1825, proposed, in order to increase the income of the Treasury, and so make them equal the expenditures, the re-establishment of the duties that were collected on mining products at the consummation, although he recognized, at the same time, that the formation of wealthy foreign companies to work these mines in Mexico was due to the diminution of these duties.

942. In an opinion which the Senate Committee of Finance of the First Constitutional Congress formed on the Record referred to, the ideas of Sr. Esteva on this subject were victoriously refuted, demonstrating with all clearness, not only the inconvenience of re-establishing the suppressed duties, but the complete ruin which this measure would cause to this important branch of industry of the nation. The opinion, dated April 10th, 1825, says thus:

"Although this question is already resolved by the Chamber of Deputies, and, besides, all the light possible has been thrown upon it in so many writings, which have discussed it profoundly, we will, however, make some observations, trying to confine them to the points that have been least touched upon. Silver and gold are the motive power of all our industry; the encouragement of agriculture, of the arts and of commerce, depends, directly and immediately on the progress of mining, and all, or nearly all, of exterior commerce is carried on in exchange for the precious metals; it is, then, of the greatest interest to encourage a branch of business on which depend all the rest, and, consequently, the prosperity of the nation. The most efficacious means of encouraging anything is to diminish the expenses of production; the duties increase these expenses; they are then opposed to production; they then, in our case, attack the foundations of national prosperity. There is no reason why the principles established and admitted without contradiction for other branches of business should not operate in

941. Proposition of Sr. Jose J. Esteva in 1825, to re-establish the imposts on mining.

942. Refutation of Sr. Esteva by the Committee on Finance of the first constituting Congress.

regard to the production of metals; the circumstance of its being money can only influence to increase its demand, by reason of the universal use to which it is applied; but it cannot change the laws of production, for they are immutable.

"It is a notoriously false calculation to measure the present production of this branch of business by what it was before the revolution. If, in fact, it is reduced to a half, and the re-establishment of the duties works immediately against the increase it might have, how can calculations be drawn on products that neither exist nor can exist? It is said in the memorial that the considerations which have obliged the Ministry to propose the re-establishment of duties are, that it is as necessary to collect them now as it is easy to diminish them by and by. If we have, then, to find ourselves in this latter case, and it is now impossible for the amount of the duty to be any larger than it was in the lustrum from 1795 to 1799, for the production of those metals is reduced one-half, of what use is it to propose the re-establishment of the duty as the only means of covering the deficiency of the present year? It is strange, truly, that the income from a given duty should be supposed equal, when the products on which it is to fall are so notoriously unequal between themselves.

"It is said that the proposed measure will weigh upon foreigners, who made a reduction of duty a part of their calculations, and if those of the nation tolerated before the duties, so much the more reason now, when the nation imperatively requires them.

"In regard to the first, there are mistakes which involve a certain odiousness of grave consequences. It is not true that the measure falls upon foreigners, but upon a branch of national industry on which depends the prosperity of all the rest. On the other hand, if the foreigners based their calculations on the reduction of duty, why was there such bad faith as to make them fail in them? Is not this saying that the nation cannot re-establish this or that duty, but that to make foreigners fail in their calculations is one reason for doing so?

"In regard to those of the nation, what they can now suffer ought certainly not to be computed by what they suffered formerly; for this species of calculation would lead us to very advanced consequences. Besides this, it is necessary to bear in mind that there is not the capital devoted to mining in existence now that there was formerly, and that even if it did exist it would not be sufficient to re-establish it; because there is an immense difference between the capital sufficient to keep agoing a business already in operation, and that necessary to re-instate it after it is ruined.

"It is a truth very well known to all, that in proportion as mines increase in depth their expenses increase; it was, therefore, the Spanish Government was under the necessity to keep lowering the duties on them as their depth increased, and so, even before the revolution, notwithstanding they had not experienced the drawbacks caused by the abandonment of the larger part of the mineral lands, the necessity was felt of reducing the duties which are to-day conceded—measures to which that Government would have acceded (only that in this it may well know its own interest) under penalty of having ruined its most important branch of wealth. These considerations prove that those of the nation cannot now support the impositions on this branch of business which suffered in time previous.

"It is also laid down in the memorial that no, or very few, effects in favor of mining have been produced by the reduction in duties. Leaving aside a thousand replies which reason and experience have given to this false assertion, we will confine ourselves to inquiring if it is not true that for want of capital we have been under the necessity of contracting with foreign capital for the opening up of our mines? And if it is not equally true, according to the memorial itself, that the foreigners have based their calculations on a reduction of duty? Mining, therefore, has already realized the beneficial result of that reduction, for it has at least contributed to provide it with the capital that was lacking in the nation.

"Mining not now producing the amount of metals necessary to fill the calculation made in the memorial, and being impossible for it to produce them in the future, on account of the very re-establishment of duties which is solicited, it follows that the public funds will be depressed, if not only the duties erroneously calculated, but those which would flow to it from the increase mining ought to attain in consequence of a reduction of duties. In order to make the truth of this assertion more visible, and the error and transcendancy of the calculations combated, a fact will be related which any one can examine. The mines of Veta Grande have been for some years the principal support of the city and State of Zacatecas; without them both would be reduced to complete destitution, and notwithstanding that they render an annual product of \$600,000, more less, they have not for many years given a dollar profit to their owners. According to the calculation of the memorial, and supposing that the duties in question amount to 15 per cent., \$90,000 would go to the public treasury, of the \$600,000 produced by the mines; but as in such case the \$90,000 would be a real and effective loss to the shareholders, it would result that they could not sustain them; and then, besides having ruined a State, we would have in place of the income of \$90,000 miscalculated, the loss to the public funds of the duties now realized, and to be realized in the future.

"These duties in relation to the present production of \$600,000 are \$18,000 in the 3 per cent. on metals, \$48,000 the amount at least on the Government tax on effects now bought with the \$600,000, and which, in the hypothesis would cease to be consumed, for there would be nothing to buy them with; \$12,000 the amount at least of the 2 per cent. circulation tax on each; and as after divers mercantile transactions in the interior, the cash arrives at our ports to be taken out in exchange for foreign goods, and pays $3\frac{1}{2}$ per cent.; and besides the equivalent amount of the said effects that enter into exchange, and which would not enter if the \$600,000 produced by Veta Grande were not exported, it pays in the present state 45 per cent., there is to add to those entries \$21,000 for the first of these and \$270,000 for the second, which altogether make \$369,000 loss in cash to the treasury, without calculating other losses, which are not the less effective by being less direct, such as the product of the tax on consumption brought about by the extraction from Veta Grande, the elimination at the mint, etc., etc.

"It results from what has been set forth, that through the effect of a miscalculation, instead of \$90,000, with which it was expected to increase the income of the Public Fund, a cash loss is suffered of \$369,000, and there is caused the ruin of a State. Many mines are in the case of Veta Grande; in less favorable situation those which do not meet their expenses, which now and always are many; and the same principles are applicable to all those which by their short returns cannot pay expenses in case of the re-establishment of duties.

"The objection is made also that all branches of industry are equally commendable with mining, and therefore the burdens should weigh equally on all of them. The first part of the proposition is easily conceded, if it is limited to those products of industry that can be taken out of the country, or which can prevent the importation of a foreign product; and in regard to the second, we will say, that the establishment of the old duties destroys that equality which it is desired to be a branch of; in respect to the rest, because in that case it would be much more incumbent than they. There are, besides this, other reasons that operate especially in favor of mining: first, no branch of industry opens such a vast market to the productions of the country, and consequently none encourages interior prosperity in the proportion that this does; second, none encourages nor can encourage so much our exterior commerce, for it furnishes the principal product, and at present almost the only one we give in exchange for what we need; third, none needs in proportion such large amounts of capital; fourth, none exposes capital to the risks that this does, because in others the expenses and profits can be calculated sufficiently near; but in mining it is impossible to form a like calculation, and not seldom considerable sums of money are lost; fifth, in no other branch is labor dearer, as the fatigues, risks and infirmities attaching to mining makes it higher, and with reason, and this high labor makes the industry less productive, diminishing the gain of the capitalist; sixth, none other is sustained by the managers, though they get no profit from it. In agriculture, arts and trade, a business is abandoned when it produces no profit, but in mining it is not so; a miner who gets no profit, and even sometimes losing, never abandons his business, because he is always expecting to meet with a "*bonanza*," either in a greater abundance of the metal or more of the pure metal, so that in one way or another it may render him the desired profit. These are real and effective differences, which ought to call the attention of the economist who is trying to furnish the proper encouragement to the different branches of industry in a mining country.

"Finally, the government ought not to propose, nor Congress decree, the establishment of duties which, besides weighing only on the mining States, cannot even in them operate in proportion to their total wealth, for this may very well be equal and very unequal the production of metals, or *vice versa*, circumstances under which it would be to attack in a double respect the proportional equality of rights and obligations which the States have before the law, and which Congress is obliged to preserve by part 4th of the 49th Article of the Constitution. If it is imagined that the mining States are richer because they are masters of a production which encourages all other productions, this would be a reason not to establish a tax to weigh only on the former, but to assign them a contingent, proportioned also to this branch of wealth. All those considerations the Constituting Congress bore in mind, by leaving out of the account of the States, the duty of 3 per cent. which the metals now pay, and in the assignment of the contingent, by placing Zacatecas, San Luis Potosi and Durango in the rank of the richest States. Take away from these States the consideration which mining gives them, and in a moment they would come to be the last of the federation; for it is potent to every one that the scarcity of water in those countries is not only opposed to the progress of agriculture, but that quite frequently it causes a complete loss of the crops, and destroys the breeding of cattle, circumstances that will prevent agriculture, and the arts which depend immediately upon it, to arrive in those States at the same prosperity as in the others. It being proved that there is no necessity for the measures which the ministry proposes, and which even though there were, they are contrary to the interests of the nation, and opposed to the established system of the government, it follows that they ought not to be admitted."

943. This system of vacillation was continued through the subsequent administrations, and with rather a

943. The Mexican Governments followed a system of vacillation respecting mining, which greatly increased the taxes on it.

tendency to increase the taxes on mining, by which this industry came to be, as has already been said, encumbered under the national government even more heavily than it was during the colonial government.

E. New incumbrances imposed on Mining by the Mexican Government.

944. Unfortunately, as has already been shown, the policy regarding mining, followed by the Mexican Government, has not been uniform or guided by fixed principles; for it has inclined as quickly to the liberal system as to the restrictive. It would be too long to relate all that occurred from the year 1830, in relation to the department of mining, to demonstrate the efforts constantly made by Sr. Alaman, as well as by other public men, to free that industry from the taxes opposing it; it suffices to say that the good results obtained by the system of immunities inaugurated at the consummation of the Independence of Mexico, were lost for many causes, among which may be considered as the principal, the frequent changes the Republic suffered in the policy of its government, which was sometimes liberal, but more frequently restrictive; for as soon as a measure favorable to mining was taken, then another was taken which nullified or took away the virtue from the first; and unfortunately, the restrictive system so prejudicial to the interests of the nation is the one that has prevailed.

945. It would be very long to relate all the incumbrances imposed on mining in Mexico by the national governments from 1830 to 1868, in which the system of immunities was again adopted; therefore, only the principal of these incumbrances will be considered here, and, besides, the following points:

- a. Prohibition to export silver paste from Mexico.
- b. Other measures respecting mining adopted from 1835 to 1846.
- c. State of mining in January, 1868.

a. Prohibition to Export Silver Paste from Mexico.

946. Mining being the principal industry of Mexico, it is really very strange, and hardly conceivable, that the exportation of its products is not permitted in the form most suitable to the miners, and it is opportune, therefore, to explain what has been the principal cause, and perhaps the only one of importance, that in the different tariffs, from 1821 to 1856, they have not been able to provide the exemption of all duty on mining products, and the free exportation of mining products in whatever form.

947. The only tariff of those just mentioned which permitted the exportation of gold and silver in paste throughout the Republic was that of Dec. 15th, 1821; that is to say, that which was issued immediately after the consummation of independence, for according to it there were collected on the exportation of the precious metals, as was said already in paragraph 923:

Gold in paste	3	per cent.
do. coined.....	2	" "
do. worked.....	1	" "
Silver in paste.....	5½	" "
do. coined.....	3½	" "
do. worked.....	3	" "

948. The differences which were established for the payment of duties between pastes, money and manufactures of silver, came from the erroneous idea that was then generally held, and which still prevails, respecting the protection which ought to be given to national industry. The cost or monetization was calculated at 2 per cent. for silver and 1 per cent. for gold, and it was believed, notwithstanding the advanced ideas set forth by Sr. Alaman and other statesmen, respecting the propriety of removing all the obstacles that might impede or make difficult the availing of the articles which serve for exterior exchange, that the exemption of all duty on the pastes of precious metals could not be decreed while the mints existed, for these mints were considered from the first as a necessary means of being able to realize silver abroad, where Mexican money was in demand, for commerce with China, obtaining in its sale a price somewhat greater than silver in paste.

944. Restrictive system adopted in Mexico by diverse administrations.

945. Incumbrances and taxes imposed on mining from 1830 to 1868.

946. Principal cause why it has not been possible to provide in the tariffs for the free exportation of mineral products.

947. The tariff of December 15th, 1821, was the only one of those issued up to 1856, which permitted the export of pastes of silver and gold.

948. Errors which prevented mining production from being freed of all encumbrance.

949. This circumstance contributed, in a great measure, to giving to the mints of the Republic a greater importance than they really ought to have; for the interests of mining and of other branches of business related to with it, required that the monetization or coinage should not be obligatory, but should be limited to satisfying the needs of exterior exchange and the circulation of the country. It is to notice, also, that the imperfect method adopted to make the separation of the gold contained in the silver has caused heavy losses to those introducing pastes into the mints.

950. The consequence of these errors was that the tariff of November 16th, 1827, expressly prohibited the exportation of precious metals throughout the Republic. In this tariff, as well as in the following one of March 11th, 1837, which equally prohibited the exportation of pastes, the same rates were preserved for gold and silver money, and only those were increased which were paid on worked gold and silver, from 2 to $2\frac{1}{2}$ per cent. for gold, and from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent. for silver, certainly in order to prevent the exportation of those metals in all kinds of manufactures, instead of their introduction into the mints. It is seen, then, that coinage, superfluous in many cases, was considered of much greater importance than the silversmith industry, which occupied many hands. Notwithstanding this, and that subsequent tariffs have generally sustained high duties on worked metals, silversmithing continued producing, for a long time, all kinds of articles, principally for domestic use, for it is known that a great part of the inhabitants of this country possessed services of silver and of gold.

951. The inconveniences of this system of prohibiting or restricting too much the exportation of national articles ought to have appeared very palpable, inasmuch as by the law of Congress of June 20th, 1837, the ports of Guaymas, Mazatlan, were excepted from the prohibition, imposing on the pastes the same duties on exportation that the laws in force had established for the exports of coined metals. This authorization granted to the said ports was declared in force by the law of June 4th, 1838, until mints should be established in the respective States. For the purpose of remedying the evil of the prohibition of the export of silver in paste, recourse was had to the system of private dispositions, and these were consequently odious.

952. The laws of November 10th, 1841, and February 16th, 1842, ratified the privilege granted to the ports of Guaymas, Mazatlan, and La Paz, reducing the export duty on silver in paste to seven per cent. for the first and five per cent. for the second.

953. By the law of October 18th, 1853, exportation was permitted through the port of Guaymas of gold and silver in paste produced in the State of Sonora, while they were building the mint of Hermosillo, ordered established by a former decree, and the export duty was fixed at eleven per cent. for gold in paste, and for silver nine and one-half per cent.

954. The law of February 12th, 1854, prohibited the exportation of silver in paste in all the departments where there was a mint, and determined the places in which the mineral products of the States of Sinaloa and Jalisco should be coined.

955. The law of July 29th, 1856, declared subsistent that of October 18th, 1853, for the exportation of pastes through Guaymas, while the mint at Hermosillo was being established.

956. The Mexican Government had recourse, for the purpose of providing itself with resources during the war of Reform, as well as during that of the Foreign Intervention, to the means of granting permits for the exportation of gold and silver in paste. These permits were granted as well by the military chiefs of the National forces, and in this manner a considerable quantity of silver paste was exported, which has given rise to claims on the part of the contractors of the mint against the Federal Treasury.

957. The anti-economic system of prohibiting the exportation of pastes of gold and silver prevailed during a long series of years, until December 24th, 1871, at which date the exportation of said pastes coming from some States was authorized, although with the obligation to pay the duties of importation, coining and assay; and this

949. Damages caused by obligatory coinage, and the imperfect mode of separating the metals.

950. Prohibitive dispositions of the tariffs of 1827-37 for the exportation of the pastes of precious metals.

951. Privileges for the exportation of pastes for certain ports, while mints were being established in the respective districts.

952. The laws of November 10th, 1841, and February 16th, 1842, ratified the privileges reducing the export duty on silver.

953. Law of October 18th, 1853, on other export duties on pastes through the port of Guaymas.

954. The law of February 12th, 1854, prohibited the export of silver paste in the department where there were mints.

955. The law of July 29th, 1856, ratified the temporary permit to export pastes through Guaymas.

956. Permits to export gold and silver pastes, and the claims on the part of mint contractors.

957. The law of December 24th, 1871, authorized the exportation of pastes. Difficulty of extinguishing the prohibitive system.

authorization was made general afterwards by the tariff of January 1st, 1872. This system has become so deeply rooted as to make its extinction very difficult; for the practice adopted by former administrations, of leasing the mints in order to get resources, has established a monopoly for a few capitalists against the interests of the nation, and every time the Government has tried to liberate mining from the imposts that oppress it, this foreign element has intervened to impede the realization of the principle of free production, either by influencing public opinion or by taking advantage of moments of complete want of funds for the most pressing expenses of the administration to get their leases extended.

b. Other measures adopted respecting mining from 1835 to 1846. Duty on circulation.

958. In different epochs the scarcity of the materials employed in eliminating the metals has caused a diminution of profits, and in consequence the working of the mines. In the year 1835 Sr. Gutierrez de Estrada said, in his memorial or Record of Foreign Affairs, presented to Congress, "The disappointments experienced have been many, and it is to be feared that speculators will abstain more every day from a class of enterprises which offers so many dangers. To this evil is added the exceedingly high price taken by the quicksilvers necessary for the elimination of silver. The quintal which, in the time of the Spanish government, was sold in Guana juato at \$44, is worth to-day \$130 to \$150. So it is impossible that the mines will continue to be worked for very long, particularly those which are not yielding much return, and when large sums are necessary for their working.

"This branch of industry merits all the attention of both Houses in order to remove the obstacles that are opposing themselves to its prosperity; in it lies the principal wealth of the Republic, and its decline will bring grave difficulties upon the country."

959. The law of May 24th, 1843, considering that quicksilver is one of the most indispensable elements for mining, bore in mind the fulfillment of the royal orders of January 13th, 1783, November 12th, 1791, December 6th, 1776, and August 8th, 1814, on immunities from Government duties; it provided that no impost should weigh upon this article, that it should be carried freely, and granted a premium of \$25,000 to any one who should take two thousand quintals in one year out of the national mines.

960. The law of July 5th, 1843, empowered the Mining Council to seek for, to work, provide for and protect cinnabar mines; and to the end of facilitating and increasing the production of quicksilver, which article continued free of duty, new provisions were decreed for fraction 3d of the tariff of September 26th of the same year.

961. The law of March 10th, 1843, increased the duty on the circulation of silver from 2 per cent., which was collected according to the law of June 11th, 1822, to 4 per cent., establishing at the same time the duty of one per cent. for taking it out of one department into another. Comprehending the inconvenience of leaving the States the liberty to burden the production of exportable articles with imposts, the duty on circulation of money was declared, by the law of classification of rents of May 29th, 1853; to be the property of the Federation, and all the other impost on gold and silver, excepting only that of one "real" (12½ cents) per "mark" (one-half ounce.)

962. In the Memorial which Sr. J. M. Lafragua presented in 1846, as Secretary of Foreign Affairs, he says as follows:

"Up to the present time the principal wealth of the country has consisted in the working of its mines, and although from this circumstance it has called the attention of all our governments, it has not yet arrived at the degree of prosperity of what it is susceptible, claiming, therefore, the most earnest interest of the legislator.

"The influence of mining on public rents is so marked that it is sufficient to cast a rapid glance at the proportion which the latter have always kept to the former to convince of its importance, and of the urgent and imperative necessity there is to liberate this production from the obstacles it has to contend with, and to elevate it to its highest degree, so as profitably to avail ourselves of the marvellous fountain of wealth with which it has pleased God to endow our privileged soil."

958. Observations of Sr. Gutierrez de Estrada on damage caused to mining by the scarcity of materials.

959. Law of May 24th, 1843, on the exemption of duty on quicksilver, and premium on the production of 2,000 quintals per year.

960. The law of June 5th, 1843, granted privileges for the encouragement of the working of quicksilver mines.

961. Laws on the increase of the duty on circulation and prohibiting the States from collecting imposts on gold and silver.

962. Observations of Sr. J. M. Lafragua in 1846, respecting the influence exercised by mining on public rents.

c. State of Mining in January, 1868.

963. In consequence of the rather restrictive system followed by the Mexican Government respecting mining, from 1830 to 1868, the state of that industry at the termination of the foreign intervention was still worse, in the way of immunities granted by law, than it was at the consummation of independence in 1821.

964. In consequence of the heavy incumbrances and restrictive measures decreed against mining from 1830 to 1868, the situation of this important industry was, at the termination of the French intervention in Mexico, truly lamentable. With the object of raising mining from the prostration it was then in, by studying its causes and seeking some efficacious remedy, the Administration ruling the destinies of Mexico in 1868, named on May 16th of that year, a Council, presided over by Sr. Mariano Yanez, and composed of six other persons notable for their intelligence and practical knowledge of mining, and invited all the mining States of the Republic to send their representatives to the Council. This was in session for several days, and their labors were notable, particularly the opinion of the Committee on Imposts, dated May 25th, 1868, subscribed by Srs. Miguel Velazquez de Leon, Antonio del Castillo and Ignacio Rule, in which, founded on reasons most worthy of consideration, the absolute freedom of impost on mining was recommended.

965. From the data of this lucid Report, it appears that the incumbrances which were weighing on mining on May 25th, 1868, before the issuing of the law of the same month, were equivalent to the value of the metals extracted from the mines, being an impost which fell not on the profits of the mines, but on the capital invested in mining, and this without taking into account the amount of Government duty paid by the miners on the articles they consumed necessary for the working of the mines and the elimination of the metals. As the impost with which the Spanish Government encumbered mining in Mexico, at the time they were the heaviest, amounted to 26 per cent. of the value of the metals, as has already been said, it resulted, that in May, 1878, mining was paying, counting the Government duty on national effects, it consumed still higher duties than those collected during the time of the greatest obscurity and taxing of mining under the Colonial regimen.

966. It would make this exposition too extended to insert the principal fragments of the opinion of the Committee on Imposts, of the Mining Council, dated May 25th, 1868, just referred to. The entire text of this opinion, and of other documents pertaining to the Mining Council, convened in this capital in May, 1868, can be seen in No. 30 of the documents annexed to the Record of the Treasury of September 28th, 1868.

967. The force of the reasons set forth by the Committee on Imposts of the Mining Council was such that the fourth General Congress, in its law on estimates of income for the fiscal year of 1868-9, derogated, as has been already said, various of the impost which mining bore at that time, although, unfortunately, these immunities were not carried into effect, for the reasons already explained.

f. Immunities Proposed and Granted to Mining since 1868.

968. To speak of this subject in an ordinary manner, the following points will be considered:

a. Ideas which have prevailed in Mexico respecting mining, and which render the needed concession of immunities difficult.

b. Difficulties in the way of the freedom of mining springing from the leasing of the mints.

c. Privileges granted to mining in 1868 and 1869.

d. Privileges granted to mining in 1871 and 1872.

a. Ideas which have Prevailed in Mexico respecting Mining, and which render the needed Concession of Immunities Difficult.

969. The Spanish Government did not permit the precious metals to be extracted from Mexico, except principally to the metropolis, and with onerous restrictions; and through the doctrines which prevailed in Spain during the Government of the Viceroyalty as well as through the ignorance that prevailed in Mexico on matters of economy, it was almost considered in this country that gold and silver were not merchandise, although they served in exportation and in exterior exchange like any other, but that it constituted the only real and effective wealth.

963. State of mining at the termination of the intervention, and consequence of the restrictive system observed from 1830 to 1868.

964. Nomination of a council on May 16th, 1868, and the recommendation of absolute liberty of impost on mining.

965. Mining suffered in 1868 heavier incumbrances than those of the Colonial regimen.

966. Doings of the Mining Council of 1868, published in the records of the Treasury for September 28th, 1868.

967. Suppression of various impost in the law on estimates of income of 1868-9 from the opinion of the Mining Council.

968. Points to be considered on treating of the immunities proposed and conceded to mining since 1868.

969. Ignorance which reigned respecting the true character of the precious metals.

970. For a long time a proprietor of large landed estates, a merchant with large capital, were not considered to be rich unless they had money in cash in their coffers. From this erroneous idea sprung the belief that the exchange of gold and silver for other articles of commerce was disadvantageous for the nation producing the said metal, because it was equivalent to subtracting its effective wealth, and substituting in place objects which it was not believed had no intrinsic value, and the importation of foreign articles was considered as a stratagem of European nations to extract Mexican silver.

971. From these astray ideas has sprung the great resistance which has been made in this country to the efforts and attempts to favor the exportation of its precious metals. For this reason, then, rather than for the necessity of contriving resources for the Public Treasury, were the duties imposed on the exportation of the precious metals, which sometimes went as high as 10 per cent. It is true that the necessity of obtaining resources contributed to this somewhat, as also the facility of collecting this impost at the exportation of the money, the coinage of which was obligatory; but it can be assured that one of the principal reasons for this measure has been the desire to make the exportation of silver difficult.

972. The States of the Mexican confederation, in which mining wealth is found the most developed, and forms the basis of their industrial and mercantile movement, have thought it proper to also impose different incumbrances on this branch of industry, for they have participated largely in the erroneous ideas already expressed, and which have been so long generalized in this country.

973. If it is taken into account that there never have been in Mexico establishments for the exportation or sale of agricultural products on a large scale; that the few assays that have been made to establish a circulating medium, not metallic, have given a deplorable result, and that the only signs of exchange used up to this time and still existing in the country, are gold and silver money, it will not appear strange, but natural, the repugnance there has been towards facilitating the exportation of silver, for it is in fact felt everywhere the lack occasioned by its extraction, and principally where this metal is produced, which extraction diminishes many times the quantity in circulation, to the degree of making mercantile transactions difficult, and even the most necessary domestic operations.

974. Unfortunately these erroneous ideas still prevail in many of the men who take part in public affairs, both federal and local, and it has contributed greatly to the non-relief up to this time, of mining from all or many of the burdens which are now weighing it down. It cannot be denied, notwithstanding, that for the last ten years past, some advance has been made in the way of diminishing the burdens and incumbrances borne by this industry, as will be shown further on.

975. It is also to be lamented, that either from the facility offered to the gathering of the local imposts on mining, or from other motives, some of the principal mining States of the country, far from favoring the system of immunities to mining proposed and sustained by the Executive, have been its most constant and decided opposers. It can be assured that the provision of Art. 78th, of the tariff of January 1st, 1872, which permitted the exportation of the precious metals free of duty, coined or in paste, was derogated by the 5th Constitutional Congress in the law of May 30th, 1872, through the influence of the principal mining States of Mexico. It is to be hoped that when Congress takes up this important subject again, the mining States comprehending their true interests, will put themselves in pro of a measure in which, although they may not have understood it before, they are the most principally and directly interested.

b. Difficulties offered to the Freedom of Mining by the Renting of the Mints.

976. Another of the difficulties which the question of the absolute freedom of duties on mining products presents, is the relation which it has to the renting to individuals of the mints existing in the Republic; for, according to law, there is paid for the coining of silver, 4.41 per cent., and for that of gold, 4.618 per cent. of the value of those metals, of which duties more than half reverts to the profit of the lessees; and this business being one of the most lucrative there are in Mexico, it has happened frequently, and principally when the country has

970. Erroneous belief which sprung from that ignorance, and which has trammelled the exportation of the precious metals.

971. Causes which moved the resistance made to efforts to favor the exportation of precious metals.

972. Imposition of duties by mining States in consequence of the erroneous opinions generalized throughout the country.

973. Circumstances which contributed to cause resistance to the efforts made to facilitate exportation.

974. Advances made in the last ten years regarding the diminishing of the burdens borne by mining.

975. The mining States have opposed the system of immunities to mining.

976. The leasing of the mints is an impediment to the absolute freedom of duty on silver.

been in afflicting circumstance from some overturning of public tranquility, that some capitalists have offered considerable sums of money, on condition that certain mints should be leased to them. Unfortunately, also, some time ago, the governments which have succeeded each other in this country, have been under the necessity of leasing the principal mints.

977. The contractors, to insure themselves against any contingency that might impair their interests, have exacted and obtained in their respective contracts, a clause by virtue of which the exportation of metals in paste was prohibited in the districts in which said mints were situated.

So then the interests created in favor of the mint contractors, on the one hand, as also the sacred duty of the Government to respect its contracts, and the impossibility there has been found up to this time to rescind those contracts, have been the principal causes why the Mexican Nation could not enjoy the benefits which the liberty of the mining industry would have afforded; and it can be said that the difficult situation in which various Administrations have found themselves, and the constant political disturbances, would have been in a large measure avoided, if it had been possible to decree that liberty, causing the mints to return to the power of the Government, the renting of which is the principal hindrance to the liberation of mining from the burdens it bears.

978. The prohibition to export precious metals in paste constituted one of the principal incumbrances on mining, inasmuch as the producers of gold and silver were obliged to export their products in a designated and very costly form; for, besides the duties of coinage, they had to bear the expenses consequent upon conveyance to the mint, and many others, which it would be lengthy to enumerate.

979. Mining was freed from this most onerous trammel in 1871 by that Administration obtaining the consent of the lessees of the mints to the exportation of the precious metals in paste, on condition, however, that they should pay the same coinage duties as if they were monetized.

980. Unfortunately, the two past Administrations had to lease the mints also, and these leases will probably have to subsist still for some years, unless the Government should be able to dispose, before the termination of those contracts, of considerable sums of money to recover the said mints, a necessary condition to be able to decree the exportation of gold and silver free of duty.

981. The difficulties presented in the leasing of the mints are so great for the system of granting immunities to mining, that the Mexican Government found it proper to prohibit imperatively and solemnly any renting of them whatever.

c. Immunities Granted to Mining in 1868-9.

982. Notable and numerous have been the efforts made by various Administrations since 1868 to raise mining to the height it ought to attain, of which the most important are set forth in continuation.

983. The law of May 30th, 1868, suppressed the federal duties of one "real" per "mark" on silver, 3 per cent. on mining, and the duty on circulation. It was omitted, however, to set forth in each law the prohibition of the power the States have, according to fraction 1st of Article 112 of the Constitution, to encumber importations and exportations, without the previous consent of the General Congress, and this omission caused that some States, accustomed to encumber their mining products, re-established for their own treasures the duties suppressed to the Federation, making illusory in this way the immunity accorded by the general Government in favor of mining.

984. Among the measures dictated in favor of this industry, the law of January 7th, 1869, which authorized the exportation, free of all duty, of mineral stone, merits a special mention. Although it would appear that this privilege only could be availed of in the mining districts near the coasts, because in the rest the conveyance to the port of the silver stone costs more than the elimination of the metals, it has been seen, however, that some companies working silver mines in places distant from the coast, and therefore suffering a heavy burden from high freight, have preferred the exportation of stone to that of the pastes, which is an evident proof that the

977. Causes why Mexico has not enjoyed the benefits which liberty of mining would have afforded.

978. The prohibition to export pastes constituted one of the principal incumbrances to mining.

979. Permission granted by the law of December 24th, 1871, to export pastes, paying the duties of coinage.

980. Difficulties of the past and present administrations to decree the complete liberty of exportation.

981. Prohibition to lease the mints decreed by the law of December 24th, 1871.

982. Efforts made at different periods to raise mining out of the prostration in which it lies.

983. Immunities granted mining in 1868, and re-establishment in the States of the suppressed imposts.

984. Privilege to export mineral stone free of all duty, granted by the law of January 7th, 1869.

duties imposed on eliminated metal, together with other consequent expenses, amount to more than the freight by land and sea of the mineral stone.

985. This privilege, however, has served somewhat to encourage miners, who have seen in it the intention of the Legislature to free mining from the burdens that oppress it, and as a natural consequence of this first step on the road to liberty, they have hoped for the exemption of all imposts on the raw products of their mines; and it can be assured that this hope has contributed to sustain the mining industry during the recent epoch, for, as the Report truly states, with the exception of some special localities, the result of mining labor in Mexico is not satisfactory, still less lucrative.

d. Immunities Granted to Mining in 1871-2.

986. Among the most efficacious measures in favor of mining, decreed in 1871, must be enumerated the law of December 24th of that year, which permitted, as has already been said (paragraph 979), the exportation of gold and silver in paste. So as not to fail in the faith of the nation pledged in the leasing of the mints, it was necessary to burden the pastes with the same duties of coinage as if they were monetized, as long as the leases were in force; but even so, this privilege was a great relief to mining, which has been since then exporting legally its pastes, principally when these contain a residuum of gold.

987. The Administration of 1871, being convinced of the absolute necessity of permitting the export of silver duty free, which product is the chief of those which serve the nation in exchange for others, decreed in the tariff of January 1st 1872, the suppressing of those duties. This liberal measure could not, however, be sustained, principally because of the ignorance which has prevailed respecting this subject, and of the resistance opposed by mining States, whose principal rents consists in duties on products of the mines, and who believe to see a danger for their interests in the decreeing of absolute liberty from all class of duty on the exportation of national products. The consequence of this was that the General Congress derogated by means of the law of May 30th, 1872, the provisions of the tariff of January 1st, of the same year, establishing free exportation of national products, before these could be put in practice. That Congress, however, did not wish to re-establish the old system, without lessening somewhat the encumbrances that weighed on mining, and it was determined, in the same law, to reduce the export duty on silver from the 8 per cent. it was then paying to 5 per cent., its present rate, and on gold from $1\frac{1}{2}$ to $\frac{1}{2}$ per cent.

988. The tariff of January 1st, 1872, not only proposed to grant privileges to mining. Agriculture was equally an object of their design, for the Government of Mexico has always considered mining not as the principal wealth of the Republic, but as the most efficacious means to make the prosperity of the nation, because its products which serve for exchange with other nations represent the larger part of those which can be exported, while the building of cheap communication does not facilitate the development on a large scale of other branches, whose products serve equally for exterior exchange.

Agriculture merited certainly the attention of the legislator in preference, for it provides the inhabitants with that most indispensable to the support of life; for this reason import duty was exempted in the said tariff on the following articles:

Plows and coulters for agriculture,
Cows,
Cutlasses, ordinary, without sheath,
Scythes,
Sickles,
Harrows and rakes,
Shovels,
Picks,
Hoes,

Spades,
Pumps for water,
Tubing for do.
Wheelbarrows,
Guano,
Machines and apparati,
Plants and seeds for the improvement of agriculture, up to 250 lbs.

989. The exemption of duty on the articles of the preceding list is a proof patent that the Mexican Government has comprehended the propriety of giving an impulse to agricultural labors by facilitating the acquisition of tools and instruments indispensable to cultivation, as also that of seeds which may serve to improve our different kinds of plants.

985. Mining sustained by the hope that free exportation may be extended to all mining products.

986. Relief of mining by the legal exportation of its pastes by virtue of the law of December 24th, 1871.

987. Provision of the tariff of January 1st, 1872, on free exportation modified by the law of May 30th, 1872.

988. Reasons for which the Mexican Government considers agriculture worthy of preferential attention.

989. Exemption of duties granted by the tariff in force for importation of instruments and seeds for agriculture.

990. But all the efforts made by the Administrations of Mexico in favor of mining have been frustrated, not only by the erroneous ideas which have prevailed respecting what the mining industry really is, and by the working of the monopolists who directly or indirectly brought to naught the attempts made by the Executive to reduce the work of the mints to the coinage of the money necessary to the interior trade, but other causes, which it would be lengthy to enumerate here, have also prevented the fulfillment of the law of January 1st, 1872.

3. NECESSITY OF GRANTING PRIVILEGES TO MINING.

991. In what has been said up to this point respecting mining industry in Mexico, enough has been expressed to demonstrate, not only the great necessity, but the veritable urgency, there is for granting privileges to mining, in order to encourage its growth in this country; for a part of this exposition in reference to mining is for the purpose of manifesting the necessity there is for granting these privileges. There remains, therefore, very little to say on this subject in this place, and only a few considerations will be brought to mind, in order not to let this opportunity pass without again manifesting the convenience and the public necessity of conceding immunities to the mining industry of the nation.

992. Mexico in general is susceptible of producing every kind of agricultural product, by the great variety of its climates and the proverbial fertility of its soil. Unfortunately, the lack of cheap and easy communication impede for the present the development on a great scale of agricultural industry, which, not being able to realize its products in foreign markets, has to limit itself to interior consumption. Thus is explained why many of the articles of prime necessity, such as Indian corn and wheat, are not produced in larger quantities, and that the machines and appliances so necessary in the United States to facilitate the production of agricultural products for exportation are not so indispensable in Mexico as in that country.

993. But, therefore, as agricultural products cannot yet satisfy the needs of exchange with the countries with whom Mexico has commercial relations, efforts have been made from a period long before the present, on the part of the successive governments of this Republic, since the independence, to liberate the mining industry from every encumbrance that weighs on its production; as the only one capable for the present of satisfying those necessities. In the exports of Mexico silver represents the principal part; its complete liberty would have consequently served to invigorate the productive forces of the nation. From increase of production would have resulted the growth of exportation, and as this and the importation of foreign goods are in direct relation to each other, it is beyond doubt that our principal revenues, the duties those goods bring on their introduction into the Republic, would have sufficed not only to cover the necessary expenses of the Administration, but also to invest large sums in the material improvements we so much need, and to be able to gradually reduce those duties without fear, which, by being generally now very high, injures industry itself, constituting at the same time a heavy burden upon the poor classes of our people.

994. All these considerations have always been within the reach of our statesmen, notwithstanding that the ignorance of the masses, made use of by the defenders of monopoly, has impeded constantly the freedom of the industry that with reason has been called the *principal fountain* of the wealth of the country. It was understood in Mexico that although during the Spanish domination the burdens that weighed upon mining were not a real obstacle to their advancement, for the imposts were equal in all the colonies, and Spain was almost exclusively the only nation that provided the world with the silver necessary for consumption. It was not the same afterwards, when, becoming emancipated from the metropolis, the colonies came to form separate entities, with their own legislations, and entered consequently into competition one with another respecting the production of articles serving for interior exchange.

995. Thanks to the immunities conceded to this important branch of industry, it was possible not only to snatch it out of the state of ruin in which the war of independence had left it, but also to realize the organization of foreign companies, which, with plenteous capital, dedicated themselves to the development of mines on a large scale; but unfortunately, the ideas of the statesmen who advocated the complete liberty of mining as regards its production had, by the force of circumstances, to yield to those of the minority, and hence it came that mining kept, after the independence, the same situation as during the colonial regimen, and that in some periods it has been seen even more oppressed.

990. The realization of free production was impeded by other causes besides those mentioned.

991. Convenience and public necessity of granting privileges to mining in Mexico.

992. Cause which now impedes the development of mining in Mexico.

993. Reasons for considering mining as the most efficacious means for improving the financial situation of Mexico.

994. Competition of Mexico with other nations in mineral production since the independence.

995. Investment of foreign capital through the privileges granted to mining. Opposition to its complete liberty.

4. EFFORTS OF THE EXECUTIVE TO FREE MINING FROM THE BURDENS IT BEARS.

996. In various epochs efforts have been made to relieve mining of the encumbrances it suffers ; the first embraces the period from May, 1868, in which the Mining Council was nominated, to January 1st, 1872, in which the tariff in force was issued ; the second, the period of the Administration of Sr. Lerdo de Tejada, and the third the period of the present Administration.

997. There will be considered, then, in this place, with due separation, the following subjects connected with the proposed immunities in favor of mining :

- A. Administration of Sr. Benito Juarez.
- B. Administration of Sr. Sebastian Lerdo de Tejada.
- C. Administration of General Porfirio Diaz.
- D. Considerations respecting the conduct of the Executive in the question of mining.

A. Administration of Sr. Benito Juarez.

998. Since the work of the Mining Council, convened in Mexico in May, 1868, made plain the necessity of relieving mining of the burdens it is suffering, the Executive has been trying to obtain the diminution of them, with the object of procuring the development of this industry. Therefore, in almost all the memorials and reports which it has addressed to Congress this important subject has been considered.

999. With the Records of the Treasury for September 28th, 1868, there was submitted again to Congress, as an annexed document, under the number 30, and with the opportune recommendations, the paper from the Mining Council already spoken of (paragraph 966), recommending to the Legislature the examination of that important affair.

1000. On April 1st, 1869, the Executive proposed an initiative to Congress, in which was recommended the suppression of all imposts then weighing on mining, and the establishment of a tax of 5 per cent. on all the profits of the mining enterprises.

1001. In the Records of the Treasury for September 16th, 1869, the Executive insisted in its ideas upon mining, and in an especial manner in those set forth in its initiative of April 1st preceding, in these terms :

“The Executive judges that it would fail in its duty if it omitted to reiterate its opinion that it will be impossible to find a way out of the ill conditions which hamper the Republic, until we obtain on our codes the expression of the principles of free exportation for our natural products, a free circulation in the Republic, and the protection of mining, liberating it from all the trammels, burdens and embarrassments which make of it a risky speculation instead of an industry.”

1002. In the exposition which the Executive addressed to Congress through the Treasury Department, on the 1st of April, 1870, it said on this important subject, and on the pressing necessity of again placing the mints within the power of the government, as follows:

“43. The interests of the mining industry, in which lies the future of our country, are imperiously claiming the preferential attention of Congress. On the basis of the legislation now in force, mining has so many trammels and so many incumbrances that only the mines in “*bonanza*” can be worked with profit to the miners. All the others, which render scarcer returns, cannot produce sufficient to meet their expenses, pay all the impost that encumber mining, and submit to all the trammels which it at present bears. The most grinding of all these is undoubtedly that which prohibits the exportation of silver in paste. The evils of this prohibition can hardly be practically calculated, and it can be considered that to it is principally owing the decline of mining in Mexico. The necessity the miners are under of carrying their products to the mints, which, many times, are at long distances from the mines, exposing them to all the dangers of the roads and all the inconveniences of delay, to suffer a reduction in the mints of at least 5 per cent., and then to seek the port for the exportation of their monetized metals, are encumbrances so considerable, that while they subsist it is not possible for mining industry to take the development to which it is called. It is true, that besides the legal prohibition to export silver in paste, the stipulation exists in all the contracts and leases of mints not to permit the exportation of precious metals in paste; but

996. Efforts made by various administrations to free mining from all incumbrance.

997. Recent epochs in which these efforts have been made.

998. Recommendations made to Congress by the Executive since 1868 to diminish the burdens which mining bears.

999. Remission to Congress by the action of the Mining Council, convened May, 1868.

1000. The Executive proposed on April 1st, 1869, to suppress the duties on mining, and to establish a tax on profits.

1001. Insistence of the Executive in its ideas on mining in the records of the Treasury, of September 16th, 1869.

1002. Observations of the Executive April 1st, 1870, on the necessity of recovering the mints.

the public interests which militate against the said prohibition are so great that Congress would proceed with entire justice if, on authorizing the exportation of silver in paste, it should accord the corresponding indemnity in favor of the mint contractors, whose contracts are in force. Besides, it ought to be borne in mind, that of the ten mints there are in the Republic, some have already returned to the power of the Government, and others will return before long.

1003. The Executive devoted an important part of the Records of the Treasury of September 10th, 1870, to speaking of mining, the state in which this industry then was, and of the imperative necessity there was to promote its development. Experience having demonstrated that in proportion as the burdens imposed on miners were diminished, the public rents increased, and that it was necessary to attend to the creation of more abundant resources to satisfy the administrative necessities, the following measures were proposed in the Record referred to:

- a. Reduction of all duties weighing on mining to one only which shall be moderate, and fall on the profits each mining enterprise may have.
- b. Liberty to export gold and silver in paste, free of all duty.
- c. Reduction of coinage duty to the cost of that operation.
- d. Liberty for individuals to separate the metals.
- e. To cause the mints to return to the power of the Government, and to prohibit them from again being leased.

1004. To cover the deficit there might be in the Federal Treasury, in consequence of the abolition of the imposts recommended, it was proposed that recourse should be had to others which were not of an anti-economic character, and it was indicated that even if mining should be exempted from all duty on the profits, it was certain that the increase of the industry would cause such a stimulus and activity in the development of all branches of public wealth, that the funds would be in a short time amply compensated for the imposts it might cease to receive by reason of this exemption.

1005. It was said, also, that in order to carry out this reform, and that it should not be nullified by the duties the States might impose, it would be necessary to prohibit these from decreeing imposts on mining products, by means either of a secondary law or of constitutional amendment, which would make clear the sense of the precept contained in the already quoted fraction 1st of Article 112 of the Federal Constitution.

1006. In spite of all these recommendations, the States, and principally those which, by being mining ones, were more interested in the abolition of all duty falling directly on production, continued collecting imposts on the silver metals under various titles, instead of reforming their incomes, which, without much labor, would have brought about the increase of their rents.

1007. As soon as the Executive was invested with extraordinary powers in the Department of the Treasury, by the law of December 2d, 1871, it hastened to put in practice the immunities to mining which had been recommended to Congress in the law of December 24th, 1871; it set forth the principle of the exportation of silver in paste, and in the tariff of January 1st, 1872, it suppressed the export duty on precious metals, as has already been said.

B. Administration of Sr. Lerdo de Tejada.

1008. During the past Administration this question was not mooted by the Executive. It was suggested, however, to suppress all export duty on national productions, including, of course, the precious metals, and a favorable opinion was presented by the two committees of the Treasury, on the 8th of May, 1876; the little interest of the Executive on the one hand, and on the other the same causes which, in 1872, impeded the carrying out of the privileges decreed in favor of mining, occasioned that that initiative did not result in any formal action.

1009.—It is to be regretted that nothing was able to be advanced respecting this matter during the late Administration, because the circumstances of the country were then propitious for the realization of the measures.

1003. Measures proposed in the records of the Treasury of September 16th, 1870, for promoting the development of mining.

1004. Opinion of the Executive on the result of freedom of mining to the branches of public wealth.

1005. Proposition to prohibit the States from decreeing imposts on mining products.

1006. Bad system followed by some States respecting mining, in spite of the recommendations of the Executive.

1007. Immunities conceded to mining by the Executive in the exercise of the powers extraordinary of 1871-2.

1008. Causes which, during the late administration, prevented the suppression of export duties.

1009. The favorable circumstances during the late administration for decreeing the free production of precious metals.

C. Administration of General Porfirio Diaz.

1010. The present Administration was hardly established when it was again moved by the Executive to suppress an export duty on gold and silver. Congress was not able to take up this subject during its period of April and May of that year.

1011. On the 30th of October of the same year, 1877, another initiative was presented by the Executive, proposing the suppression of export duties on national productions, and at the same time the manner of making good to the Treasury the income it would cease to receive at the suppression of export duties on precious metals.

1012. The Executive has insisted in its motion at the opening of every period of sessions, both in the speeches of the President of the Republic and in the Records and Expositions of the Treasury Department. The united Financial Committees of the House of Deputies presented, October 17th, 1878, a favorable opinion on this proposition; but, unfortunately, weighty matters prevented its discussion during that period, with the expectation, however, that it would pass to some definite resolution in the next.

1013. It is seen, then, that notwithstanding the prejudices many men in this country are under respecting this question, and notwithstanding the interests created by the imposts on mining, and the imminent necessities of the Mexican Treasury, which, far from permitting the reduction of existing taxes, imperatively require their increase, the present Executive is of the profound conviction that all these considerations ought to give way to the pressing need of liberating the production of our exportable articles from every encumbrance.

1014. It is to be hoped that the projects favorable to mining, initiated by the present Administration of Mexico, may be soon accepted by the Legislature, and that so this important branch of national industry may come to see itself free of every encumbrance. If the approbation of those proposals should result in the investment of large foreign capital in the working of Mexican mines, and particularly by Americans, who have the advantage of possessing practical knowledge of this branch of business, for they have occupied themselves with great success in the working of mines in their country, the hopes and desires of the Mexican Government would be fulfilled; a great service would have been done to the nation, and all the inconveniences and difficulties which might arise from the suppression of export duty would become amply recompensed with the progress and growth of mining industry in Mexico.

D. Considerations Respecting the Conduct of the Executive in the Question of Mining.

1015. It is nowhere an easy task to radically change the financial system of a people. The difficulties in the way of this increase very considerably when it treats of suppressing an impost on rich productions, forming a ready source of revenue for a treasury which is unbalanced and can make no use of the resources of credit.

1016. It is easier to establish and preserve an impost, however unjust and anti-economic it may be, than to abolish it completely when it has been collected for a long time; and the reason is, that from the moment it is established interests are created which later become an opposition to its suppression. This has happened with the duty on coinage, which, through being excessive, has come to be a fat revenue for the Treasury, and then for the mint contractors, and the same thing happens regarding the duties imposed on silver in some of the mining States, for though their respective governments are persuaded that the duties imposed by them on silver can be substituted easily, and with notable advantage to their treasuries, with others more just and convenient, they resist, however, to follow the example of other States, which do not encumber in any way the production of their exportable articles.

1017. A more evident proof cannot be presented that the Governments of Mexico have comprehended the imperative necessity there is to free mining from every encumbrance, than the fact that the national Executive, when it has been invested with powers extraordinary, has come to decree favorable laws for this branch of industry, although unfortunately they have not come to be put in execution, by having been derogated afterwards by Congress; but it has been again insisted that the same immunities should be decreed, although it should cause

1010. Initiative of the Executive April 16th, 1877, on the suppression of export duty on gold and silver.

1011. Another initiative of the Executive October 30th, 1877, on the suppression of export duties

1012. Opinion of October 17th, 1878, favorable to the project of free exportation.

1013. The convenience of the liberty of mining is superior to all the considerations opposed to it.

1014. Hope that the liberty of mining may soon be decreed, and results such liberty would produce.

1015. Difficulty of suppressing an impost of easy collection.

1016. Resistance made by some States to the suppression of local imposts on mining production.

1017. Derogation by Congress of laws favorable to mining decree in the exercise of powers extraordinary

immediately a deficit of more than a million of dollars in the income of the Treasury, in itself little and insufficient for its most urgent requirements.

1018. Although, in compensation for what would cease to be received in export duties, it was proposed to increase the importation quotas of the tariff, it is probable, however, that this increase would result in diminishing the importations, and, consequently, the object proposed would not be attained.

1019. When the Government of a country like Mexico, whose treasury is in a habitual state of deficit, and with great difficulty covers its most urgent necessities, is under the duty to look after the conservation of public peace, and for this end sees itself obliged, in place of consenting to the reduction of imposts, to sustain, on the contrary, the subsistence of those being collected, and even to procure the increase of the rents of the revenue, it must have a very firm conviction of the urgency and the necessity of relieving mining from the burdens which weigh upon it, to propose and insist on the suppression of one of the most easy and cheaply-collected imposts, and which represents a considerable parts of the public rents.

5. RECTIFICATION OF SOME INACCURACIES CONTAINED IN THE REPORT.

1020. The Report, in speaking of mining, falls into inaccuracies of two kinds; the first refer to the present state of mining industry in Mexico, and the second to the imposts on mining decreed in the State of Hidalgo. Each one of these mistakes will be spoken of separately.

A. Inaccuracies in Reference to the state of Mining in Mexico.

1021. Although the Report states that the mining wealth of Mexico, inexhaustible to all appearance, and known for more than three centuries, has not been able to reach the development of which it is susceptible, and attribute, with much reason, the backwardness in which it relatively is to the system followed by the successive Administrations of the Republic, as-well as by some of the State governments of the Federation, it falls, notwithstanding, into various errors, which it is proper to rectify.

1022. The Report asserts, referring to the terms of the speech delivered by the Hon. John W. Foster, in New Orleans, November 18th, 1875, that the total exportation of Mexico during a year, which it does not precisely fix, for it designates it only as "the last on which there were data," had amounted to \$31,600,000, of which sum \$25,052,959 were gold and silver. The fiscal year to which the Report refers appears to have been that of 1872-3, for the notice of the amount of the exportation of that year was inserted at the end of the speech of Hon. John W. Foster, delivered before the New Orleans Chamber of Commerce, in the *New Orleans Republican*, of November 19th, 1875, had not been obtained in the Department before writing the preceding part of this exposition, and all the quotations and allusions to the said speech are taken from a translation of it published in numbers of the "*Diario Oficial*," of December 1st, 2d, 4th and 8th, 1875, and this being so, these data are substantially correct, as can be seen by comparing them with the notice of the exportation of said year, which was inserted in another place in this exposition, (paragraph 761). The Report asseverates, in continuation, that the exportation for the year 1876-7 was \$28,700,000, and estimates that of gold and silver at \$23,000,000, deducing, from the comparison of these figures with those it had mentioned in reference to the exportation of a former year, (1872-3), that exportation had fallen in the year 1876-7. In regard to the exportation of the year 1876-7, which the Report fixes at \$28,700,000, it must be noted that according to the data of the Records of the Treasury of December 10th, 1877, it amounted to \$28,772,184 24.

1023. Moreover, the increase which occurred in the said year of 1872-3, in the production and exportation of silver, assuredly proceeds from a great diligence having been shown by the Administration which ruled the affairs of the country up to the middle of 1872, in liberating mining production from all encumbrance. This method of proceeding has served as a stimulus to mining enterprises, for it caused hopes to be entertained respecting the relief of that important branch of business, but the same conduct not having been followed by the succeeding Administration, and the increasing production of silver in the United States having continued, and there being a lesser consumption in consequence of the demonetization adopted by some European governments, the production and exportation of that metal in Mexico had naturally to decrease.

1018. Inconvenience of substituting for export duties the increase of those of importation.

1019. Firm conviction of the Mexican Government respecting the necessity of liberating mining from every incumbrance.

1020. Inaccuracies of the Report in relation to the state of mining in Mexico, and to the imposts in the State of Hidalgo.

1021. Errors contained in the Report in the past relative to the mineral production of Mexico.

1022. Observations on the assertion of the Report that the exportation diminished in the year of 1876-7.

1023. Inaccuracy of the deductions of the Report on the proportion of products exported in previous years.

1024. Notwithstanding that the same Report states that the general opinion respecting the present state of mining is, that it does not present a flourishing aspect, and that the results of work are not satisfactory, except in some particular localities, and it considers, quite accurately, the onerous imposts created by the Federal Government and those of some States as the principal obstacle to the success of mining enterprises, it does not explain with proper clearness what the causes are that have impeded until now the adoption of a system of complete liberty for that important branch of business, and it has therefore been necessary to enumerate those causes in another part of this exposition.

B. Inaccuracies in reference to Imposts on Mining decreed by the State of Hidalgo.

1025. In reference to the local imposts established on mining by the State of Hidalgo, the Report says as follows :

“ Example :—The State of Hidalgo, by virtue of a decree, has taken possession of a 24th part of each mine that may begin to be worked from the date of the law, that is, that it will take a 24th part of the profits.....4 25

The local imposts of the State of Hidalgo (district of Real del Monte) has lately suffered some changes. One of the thirteen railway contracts to which I have referred was celebrated with the State of Hidalgo and its Legislature. For the purpose of providing itself with money for the enterprise, it imposed an additional tax so onerous to mining companies that they resolved to suspend their labors and abandon their mines. As this would have resulted in a revolution, and as it was so manifestly oppressing, the government caused a modification to be introduced into the impost, and compounded this matter with the principal companies, through the payment by these of a round sum. So that I cannot say what is the true state of local imposts in that State. This incident gives an idea of the calamities mining is subject to in Mexico.

“ Confident that the foregoing facts and figures relative to the importation of goods and to mining will be of some interest to those of my countrymen who are seeking information respecting this country, considering it as a field in which to operate enterprises, I pass to take into consideration the third and last part of this document.”

1026. The government of the State of Hidalgo having been asked for information regarding the facts mentioned in that part of the Report just quoted, it replied, setting forth that the State decree No. 129, issued in Pachuca, September 30th, 1871, determined that in all legal considerations, and in the issuing of their shares, the mines that should be discovered and taken up in the State from the publication of the said decree should be esteemed divided into 25 parts instead of 24, which was the anterior legal division according to the mining ordinances, and that the new part created should be considered forever “in lien,” and remain as the property of the State. By virtue of this decree, the State of Hidalgo holds in propriety, in all the mines taken up from the date of the decree, not a twenty-fourth, but a twenty-fifth part, or what is the same, 4 per cent. of the net profits, and not 4.25 per cent. as the Report says for, the 5th fraction of Art. 1st of the decree of the State of Hidalgo, No. 322, dated December 10th, 1878, enumerates among the rents of the State, 4 per cent. on the profits of the mines, whose entry and possession have taken place before the publication of law 129, of September 30th, 1871.

1027. In the report referred to, of the Government of the State of Hidalgo to this Department, it says as follows :

“ It is very satisfactory also to express, that in this federal division mining is to-day in a really better situation than for the last six years, and that many mines entirely new, or that were before paralyzed, are in active operation, and that several among them promise large profits and an extended business.”

1028. In regard to the impost decreed by the State of Hidalgo, to aid the construction of a railroad from Pachuca to Ometusco, to put it in connection with the line from Vera Cruz to Mexico, it is to be noted that this impost is of an entirely transitory character, and that it consisted, according to the decree of May 1st, 1878, as far as regards mining, in \$2.00 per kilogramme of silver produced, and as the value of this, from the gold it contains, exceeds \$40.00 per kilogramme, the impost does not come up to five per cent. on the value of silver, which impost was to substitute the three per cent. and the “real” per “mark” with the federal tax which, before the law of May 30th, 1868, the Federal Government collected on silver.

1024. Failure to explain the causes that have impeded the liberty of mining.

1025. Account given by the Report of the facts occurring in Hidalgo in regard to a tax on mining.

1026. Decrees of September 30th, 1871, and December 10th, 1878, burdening the profits on mining with 4 per cent.

1027. Condition of mining in the State of Hidalgo, according to the report of the Governor to the Department of Finance.

1028. Amount of the duty imposed on silver by the State of Hidalgo and the transitory character of the impost.

1029. It must be noted also that this impost was decreed in the character of a devolution, inasmuch as the sums paid by the contributors were to be returned to them in railway shares, which railway, besides being a work advantageous for the State and for mining, has a non-reimbursible subsidy of \$10,000 per kilometre given by the Federation and the State, and a loan of \$2,000 per kilometre made by the State, with conditions advantageous for the railroad.

1030. Notwithstanding this, the State Legislature determined by decree 308, of July 25th, 1878, that the impost referred to should be reduced to sixty cents per kilogramme of silver, which is equivalent to one and one-half per cent. on the value of that metal, giving it a reimbursable character in shares, only for the third part of the sum paid.

1031. Respecting this matter, the report of the State of Hidalgo says as follows :

"In use of the powers conferred upon it by the State Legislature, this government has excused many of its constituents from the payment of the impost, by condition that they should subsidize the railway company, consisting of the shareholders who have made payment in sums not coming to one per cent. on the value of the products, and which are applied directly to a work which, as before said, will bring great facilities and advantages to the development of the public wealth of the State, and very signally to mining and to agricultural interests, which by these means will be ultimately bound together, and put in communication with the capital and the port of Vera Cruz."

1032. Moreover, the report from the Governor of the State of Hidalgo states that there has not been, nor is there any danger, either of suspension of work on the mines, nor of disturbances of public peace in the State of Hidalgo, by reason of the imposts on mining, to which the Report of the United States Representative refers.

6. SUMMARY OF FACTS RELATING TO THE DEVELOPMENT OF MINING IN MEXICO.

1033. From the foregoing explanations, the following facts appear to be demonstrated in relation to the present state and development of mining industry in Mexico :

1st. That while the Report contains well-founded appreciations of mining in Mexico, it has fallen into inaccuracies, owing, probably, to the want of sufficient data to estimate this complicated and important question.

2d. That the change is to be regretted, which the ideas of the Hon. John W. Foster have suffered respecting mining in Mexico from 1875 to 1878, which change is brought to notice by taking into account his New Orleans speech of November 18th, 1878, and his report to the Manufacturers' Associations of Chicago of October 9th, 1878.

3d. That experience has demonstrated that the most efficacious means to promote the development of mining is to free it from the encumbrances and imposts, and that, thanks to this system, the Spanish Government succeeded in developing mining industry considerably during the last years of its domination in Mexico, inasmuch as from \$4,000,000, in which the production of the middle of the seventeenth century is calculated, it rose in the first years of this century to as high as \$27,000,000.

4th. That, persuaded of these ideas, the first independent Government of Mexico again reduced the imposts which weighed on mining, in the law of November 22d, 1821.

5th. That although the tendency of the first independent Governments, up to the year 1828, was to reduce the burdens of mining, laws were enacted since then, notwithstanding, which prevented the liberty of that branch of business.

6th. That in consequence of the liberal system respecting mining, followed by the first independent Governments of Mexico, a considerable impulse was given to this branch of wealth, procuring the investment in it of foreign capital of some consideration.

7th. That in consequence of the inexperience of the capitalists who speculated in the mines, and principally

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- 1029 The revolutionary character of the impost referred to, and its advantages for the railroad.
 1030. Reduction of the impost from \$2 to 60 cents per kilogramme on silver, and the reimbursement of the third part in shares.
 1031. Advantages which result from the impost, according to the report of the Governor of Hidalgo.
 1032. The impost has not produced the evil results which the Report states.
 1033. Summary of facts related to the development of mining in Mexico.

of the imprevision of their managers in Mexico, the results did not correspond to the hopes entertained, and finally the mines in Mexico were abandoned, to the great damage of the country.

8th. That since the year 1825 it has been thought to re-establish the imposts on mining suppressed by the law of November 22d, 1821, for the purpose of making the income equal to the expenditures, which was not procured then by virtue of the generous considerations set forth against that project by the financial committee of the Senate.

9th. That from 1830 to 1838 the tendency of the Mexican Governments was, as a general rule, to reimpose the taxes and burdens that weighed on mining, although sometimes liberal measures were decreed in favor of that industry.

10th. That one of the encumbrances that has contributed most to stupefy mining industry in Mexico has been the prohibition to export gold and silver metals in paste, and the obligation imposed upon them of going out only in coin, the cost of their coinage being very considerable.

11th. That what contributed also to impede the development of mining in Mexico was the high price of quicksilver, which rose as high as \$150 per quintal, when in the last years of the Spanish Government it was sold at \$44 per quintal.

12th. That another of the measures that have contributed most to create trammels to mining was the duty on circulation imposed on money which circulated from one part of the Republic to the other.

13th. That at the commencement of the year 1868 mining was, as regards the burdens and imposts that weighed upon it, in a still worse condition than it was at the consummation of Mexican independence, on September 21st, 1821.

14th. That for the purpose of raising mining out of the prostration it was in, and of promoting its development and aggrandizement, the Administration named a Mining Council, that they might propose suitable measures, which Council advised the suppression of every impost and burden on mining.

15th. That the adoption of the system of privileges to mining has stumbled against many difficulties for a long time in Mexico, among which figured pre-eminently the vulgar belief that the riches of a country are its mines, and that the exportation of mineral products ought not to be favored, because it would bring with it the poverty and ruin of the nation.

16th. That another of the principal difficulties that are presented to the adoption of the system of privileges to mining, lies in the renting of the mints, which have grown into monopolies that are very wealthy and exercise a large influence in the country.

17th. That the mining States, which are the most concerned in the system of privileges to mining, for it results in the aggrandizement of that industry, are unfortunately and generally those that have manifested the most resistance to the system of immunities proposed and decreed since May, 1868.

18th. That the Fourth Constitutional Congress suppressed, by the law of May 30th, 1868, various of the duties that weighed on mining; but that, unfortunately, all these duties were immediately re-established by the States for their own particular treasuries.

19th. That Congress itself authorized, by means of the law of January 7th, 1869, the exportation of mineral stone free of all duty, which constitutes an important privilege in favor of mining, and which has given good results up to the present time.

20th. That the law of December 24th, 1871, authorized the exportation of precious metals in paste, although obliging them to pay the high duties on coinage, in order not to fail in the faith of the nation pledged in the contracts celebrated with the lessees of the mints.

21st. That the tariff of January 1st, 1872, suppressed the export duty on precious metals, which was then 8 per cent., although unfortunately this measure could not be carried into effect by Congress having derogated the provision of the tariff on this point, reducing at the same time the export duty from 8 to 5 per cent.

22d. That the Administration of Sr. Juarez and the present one have been persuaded of the necessity of granting privileges to mining, and have done all that has depended upon them to obtain this result ; that the Administration of Sr. Juarez recommended to Congress, in all the financial memorials and expositions, the adoption of a system of immunities to mining, and when it had powers extraordinary in this direction it authorized the exportation of precious metals in paste, and suppressed the export duty on the same metals.

23d. That the present Administration has followed the same system, recommending diligently, on all suitable occasions, the suppression of export duty and the system of privileges to mining, in order to obtain the development of that important industry.

24th. That this conduct observed by the Administration of Mexico, to concede immunities to mining, is the more meritorious, as in so doing it treats of the suppression of a rent on rich products, under circumstances in which the unbalanced condition of the public revenue and the financial situation of the country appear rather to counsel the increase of the public imports.

25th. That on speaking of the question of mining, the Report falls into some mistakes respecting the production of the precious metals in certain years, as well as the causes that have impeded the progress of that industry, although at the same time it contains considerations that are well founded and accurate.

26th. That it also fell into some inaccuracies in speaking of the imposts suffered by mining in the State of Hidalgo, and of the situation that industry is in in that State.

27th. That in spite of the difficulties that have been experienced up to this time to promote the development of mining industry in Mexico, it is to be hoped they may be got over, and that this industry may soon obtain the prosperity to which it is called.

PART THIRD.

SECURITY AND PROTECTION OF LIFE AND PROPERTY IN MEXICO.

1034. The third and last part of the Report refers to the security and protection enjoyed in Mexico to life and property, commencing by stating that commerce flourishes only under the guarantees of that peace and order which give a stable government and the impartial reign of law, which gives security to the individual and produces the recognition of the sacred rights of property; that it does not need to stop to make this clear to the comprehension of the business men of Chicago, who know that these conditions are the first and essential requisites for commerce and industry; that, therefore, any replies he may have given to the two first questions, relative to the means of communication and to the regulations of trade, if no favorable and satisfactory, information can be given about this third point, that as it is the most important subject there is to treat, it is, at the same time, the most delicate; but as practical men of business desire to be in possession of facts and realities, not theories and generalities, he ought to manifest to them frankly the state affairs are in, according as he has been able to estimate it during his residence in Mexico, in all that concerns the ends which they propose in their projected enterprise of starting trade with this country.

1035. In continuation, the Report refers to the frequent revolutions the country has suffered, saying that "the point of protection to life and property, especially in relation to trade and commerce, obliges necessarily to refer to the revolutionary state of this country; that he will not try to make any sketch of the many changes of government since the independence; that its revolutionary state is well known to the entire world, and it is lamented by all the friends of Republican institutions; that its own people recognize it as their greatest evil, and the principal cause of their many disasters and embarrassments; that he only desires to refer to the revolutionary state of the country under its commercial aspect; that this will lead to the examination, 1st, of the effect which the revolutions have had respecting the resources of the country, and its possibility to sustain a great commerce with other countries; 2d, public security and the fulfillment of law and preservation of order; and 3d, the stupifying of business, and the incentive and facilities for smuggling that originate from revolutions."

1036. By the preceding reference to the terms of the Report, on the security and protection granted in Mexico to life and property, it will be seen that this subject relates itself directly with the state of revolution which the Republic has suffered for a long time, and is divided into the following points, which will be examined in this exposition:

- I. Causes, origin, object, result and future of the revolutions in Mexico.
- II. Effects produced by the revolutions, respecting the resources of the country, and the possibility of its maintaining a great commerce.
- III. Public security, fulfillment of law and preservation of order in Mexico.
- IV. Benumbing of business and incentive to carry on contraband by reason of the revolutions.

1037. Following the order of the Report, each one of the above indicated subjects will be examined separately and especially entering with all possible brevity on the explications and details which should be necessary for the rectification of the conceptions and facts mentioned in the Report.

1034. Question of security, and protection of life and property in Mexico.

1035. The revolutionary state in Mexico considered under its commercial aspect.

1036. Points relative to the influence of revolutions in Mexico on public security and production.

1037. Special examination of each one of these points in order to rectify the conceptions and facts stated in the Report.

I. CAUSE, ORIGIN, OBJECT, RESULT AND FUTURE OF REVOLUTIONS IN MEXICO.

1038. Although the Report does not occupy itself with the revolutions in Mexico, but from the point of view in which they have affected the growth of exterior commerce, yet, as to them he attributes the cause of all the evils this nation suffers, and especially its poverty, its reduced commerce and the insecurity he believes to prevail in this country, it is esteemed indispensable to dwell on some considerations on this important subject.

1039. Perhaps justice would have been done to Mexico if, on speaking of its revolutions, it had been indicated what have been the causes and object of them, and what the political and social results which, by virtue of the same, have been obtained. Thus, their bad results would stand compensated by the good they have brought to the country; but to speak only of the revolutions in Mexico, and attribute to them the evils of the country, with some exaggeration, cannot but contribute to confirm the vulgar idea which, unfortunately, prevails in some circles outside of Mexico, that this country is in a chronic state of revolution, and that there is no other remedy than the extermination of the race which inhabits it.

1040. Much has been said about the revolutions in Mexico, representing them as a chronic and especial evil of this country, and very difficult, if not impossible, to remedy. Unfortunately, this is the belief that generally predominates respecting Mexico in the civilized world, and the fact cannot be denied that it has greatly contributed to impede the material development of this nation. If the public opinion of the civilized nations took into account the causes and the origin of the revolutionary movements there have been in Mexico, the object which these proposed, and the results they have procured, it would comprehend that the political disturbances there have been in the country have not been occasioned by personal ambition to get possession of power, without any political object and design—although, unfortunately, there may have been some lamentable exceptions—but movements necessary to change radically the political and social state of being of this nation, to the end of bettering its social condition and promoting its progress.

1041. To fill, then, the vacancy left in the Report on this point, the following subjects will be considered here, with the proper separation and brevity:

1. Causes and origin of revolutions in Mexico.
2. Result of revolutions in Mexico.
3. Future of revolutions in Mexico.
4. Opinion of United States Representatives and other distinguished North Americans respecting revolutions in Mexico.
5. Summary of facts in reference to the causes, origin, object, result and future of revolutions in Mexico.

I. CAUSES AND ORIGIN OF REVOLUTIONS IN MEXICO.

1042. Nations, like individuals, need certain changes in their life, which are indispensable to their progress and welfare. Unfortunately, these changes cannot always be realized in a pacific manner, and frequently recourse has to be had to arms in order to carry them out. The strife once commenced, it may be prolonged a longer or shorter time, and present interests more or less distinctly related to the principal object of the movement initiated, which may lead the superficial observer astray, causing him to believe that the object of the movement is different from what is really had in design.

1043. It does not appear that revolutions are undertaken without some important political object, and when this is not understood there is immediately no clearness of vision, it is easy to go astray in the judgment formed of the revolutionary movement, disnaturalizing completely its object and its tendencies.

1044. The United States were, at the middle of the XVIIth century, an English colony; they attained with great rapidity to the virility of their political life, and proclaimed their independence in the last third of the past century, coming to conquer this with relatively little effort and in a short time, to which contributed greatly the

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1038. Necessity to consider what the Report says on the evils the revolutions have caused to Mexico.
 1039. Omission in the Report to explain the causes and the objects of the revolutions in Mexico.
 1040. Erroneous belief respecting the motives there have generally been for revolutions in Mexico.
 1041. Subjects which will be considered relative to the causes and effects of revolutions.
 1042. Necessity of effecting changes in the political life of a nation by means of revolutions.
 1043. Facility of being mistaken respecting the tendencies of a revolution.
 1044. Independence of the United States in the eighteenth century and its influence in the emancipation of the Spanish Colonies.

circumstance that their population was homogeneous, and that it was not divided on the question of independence. This important example given by thirteen English colonies established in North America, which contributed also to the French revolution, could not but produce its effect on the Spanish colonies of the rest of the American Continent, and from the first years of this century symptoms of emancipation were noted, which had been proposed from before the time of Charles III. of Spain by the Count of Aranda.

1045. In 1810 the movement of Independence broke out in almost all Spanish America. The principal classes of these nations were of Spaniards or of sons of Spaniards, whose fortune and whose interests were identified with the government of the metropolis. The clergy, who were in America a great power during the Spanish Government, as well for their intelligence as for their wealth, and for the influence they exercised on the popular masses, were also on the side of the metropolis.

1046. The Spanish colonies, and particularly Mexico, in which the clergy had more wealth and greater influence than in other parts, were found, therefore, to be profoundly divided on the question of Independence; the clergy, and what might be called the privileged classes of society, being on the one side of the Spanish Government, and the popular masses, led by some men of intelligence and patriotism, on the side of Independence.

1047. The Spanish Government, then, had elements enough in its colonies to prolong the strife, almost without any direct effort on its part. This was precisely what took place in Mexico; the war of Independence commenced in 1810, spreading rapidly amongst the masses by the proclaiming of an idea greatly popular; the clergy and the privileged classes opposed a decided resistance to it, and having the army on their side, and the organization and influence of the established government, they succeeded, in 1814, in restraining the conflagration and even in reducing it to very limited proportions.

1048. For this reason the war was prolonged for 10 years, and Independence did not come to be consummated until the clergy and the privileged classes saw their interests threatened by their dependence on Spain, on account of the liberal measures decreed by the Spanish Cortes, both for the peninsular and for its colonies. Those who had before rejected and combated Independence, because they considered the success of that cause to threaten their interests, then changed their opinion, because they believed that danger lay in continuing to depend on Spain, and that in view of their influence in the country, they might establish a government that should be entirely their own. In fact, those classes having once decided for Independence, this was consummated in 1821, in a short time, and almost without effort.

1049. Independence being consummated, and that great principle now conquered, the difficulty did not terminate there, but the strife came between the clergy, together with the privileged classes, who desired to establish a conservative monarchical government, and the first leading the cause of Independence, who, representing the popular ideas, desired the establishment of a liberal government. This strife was prolonged with various alternations in favor of one or the other party from 1821 till 1867.

1050. The clergy and the privileged classes succeeded in establishing, in 1822, the Empire of Iturbide; this was overturned the year following; in 1824 the Federal Republic was established, accepting, in several of the provisions of the Constitution of October 4th, 1824, the political system established in the United States. Within this republican federal system established by that Constitution, the strife broke out between the two principal parties, to conquer the preponderance in the Administration. In 1836 the form of government was changed, suppressing the federation and establishing a central government. In 1842 a dictatorship was established, the system of which had already been adopted, though only in a temporary manner, on former occasions. In 1845 the federation was re-established. In 1853 a military dictatorship was again established, which tried to completely centralize the power, which dictatorship was overturned in 1855, resulting from the movement against that dictatorship, the constitution of February 5th, 1857, and some laws which established the absolute Independence between the Church and State, suppressing the charters and privileges which until then the clergy had enjoyed in Mexico.

1051. These measures of the liberal government, which tended to emancipate the country from the conservative party, whose system of government and political ideas constituted a great obstacle to the progress of the na-

1045. Movement of insurrection in 1810 in Spanish America, and the attitude of the clergy and privileged classes.

1046. Division in Mexico between the privileged classes, together with the clergy and popular masses.

1047. Interruption of the revolutionary movement by the elements favorable to Spain.

1048. In 1821 the independence of Mexico was consummated by the change of ideas of the clergy and the privileged classes.

1049. Strife between the conservative and liberal parties from 1821 to 1867.

1050. Political changes effected in Mexico from 1822 to 1857.

1051. Object of the constitution of 1857, and triumph of liberal ideas in December, 1860.

tion, occasioned a re-action on the part of that party, which united all its forces and threw itself, in 1857, into a desperate strife to recover the ground it had lost. The war of three years, from 1857 to 1860, was the consequence of this effort, and it terminated in the triumphs of liberal ideas in December, 1860.

1052. The conservative party being conquered, and now without any elements in the country to provoke another war, they had recourse to the means which on other occasions they had indicated of seeking foreign help to recover the power they had lost, and which they could recover in no other way. The acquisition of this help was greatly facilitated in consequence of the civil war that had broken out in the United States, for some European nations, and principally France, thought, that by establishing themselves militarily in Mexico they would be able to contribute more efficaciously to the success of the secessionists of the United States, and hence came the war of intervention, which lasted seven years, from 1861 to 1867. In spite of the fact that the conservative parties helped the French intervention with all their energy, and in spite of the fact that France was able to dispose of all her elements as one of the first military powers of the world, it had at last to go out humiliated from Mexico, without having procured any of the objects which it proposed in its expedition against this Republic, and leaving abandoned to his fate the principal foreigner whom it had compromised to come and establish an ephemeral Empire in this Republic.

1053. The downfall of the foreign intervention persuaded the conservative party and the entire nation that the triumph of the liberal party was decisive, and gave such a preponderance to this party that it precludes, at least for a long time, that the conservative power can dispute with it for the power, which party is now very reduced in number, and whose influence has been greatly impaired by having associated itself with the anti-patriotic enterprise of wishing to convert Mexico into a dependency of the Emperor of the French.

1054. By this brief account it will be seen that, with very slight exceptions, Mexico has been at war, either civil or exterior, from the year 1810 till the year 1867. The object of this war cannot be more noble or more patriotic or grander, for it has been to attain independence and sovereignty, and to conquer the social and political regeneration of this country.

2. RESULT OF REVOLUTIONS IN MEXICO.

1055. The results which have been obtained from the wars and revolutions there have been in Mexico must be taken into account, in order to estimate their character and tendencies. The first was to procure emancipation from Spain and the establishment of Mexico as an independent nation in the civilized world, which object was attained after an incarnate and devastating strife, which prolonged for ten years.

1056. This strife being terminated, there came the necessity of political and social regeneration, with the object of attaining material progress and the aggrandizement of the nation. This strife, in which there were various important incidents, among which figures, in the first place, the foreign intervention, terminated in the year 1867 with the most complete triumph of the course of the progress and liberty of this country.

1057. The clergy remained decisively conquered; their properties were nationalized; the separation between Church and State was decisively consummated; the monopoly of education it held was destroyed; the civil acts of life, such as birth, marriage and death, were taken out of its hands; religious liberty, an indispensable requisite to obtain foreign immigration, practically established; the liberty of the press attained with such guarantees as are not even enjoyed in the United States, and conquered and decisively established all the other principles indispensable in promoting and attaining the progress of the nation.

1058. When all these circumstances are taken into account, when the great conquests are considered which the nation has allowed after war, long and bloody, it is true, but which ended in the most complete triumph of the ideas proclaimed in favor of liberty and of progress, what is really wonderful is that the nation has not been annihilated after so prolonged and devastating a war; that the ties of society have not been entirely destroyed; that immorality has not completely filled the masses, and that social and political dissolution has not been the consequence of a strife so prolonged. Wars of much less duration and of a less bloody character than ours have completely ruined other nations that have suffered them. The United States sustained a war with England of a few

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- 1052. War of intervention promoted by the conservative party of Mexico during the civil war of the United States.
 - 1053. Decisive triumph of the liberal party in consequence of the disesteem of the conservative party.
 - 1054. Object of the strifes sustained in Mexico from 1810 to 1867.
 - 1055. Emancipation of Mexico from the Spanish domination after a war of ten years.
 - 1056. Strife in Mexico from 1823 to 1857 to procure its political and social regeneration.
 - 1057. Conquests made by the revolutions of the conditions necessary for the progress of the nation.
 - 1058. Satisfactory state of Mexico, notwithstanding its prolonged revolutions.

years, and afterwards a civil war, which only lasted four years, and in spite of the fact that in the interval from one to the other they had enjoyed complete peace, and reached an unexampled prosperity, the second war occasioned them grave disturbances, both of a political as well as of a financial and commercial character. To properly appreciate what has occurred in Mexico, it is only necessary to take into account what took place in the United States by reason of the war provoked with the States of the South.

3. FUTURE OF REVOLUTIONS IN MEXICO.

1059. When the Mexican nation has succeeded, first, in making itself independent, and afterwards in conquering and establishing its liberty and the social and political reforms necessary to promote its aggrandizement; and when the conservative party is decisively conquered, it does not appear that there are any elements of dissolution or of discord which can provoke a new war. It is true that all war brings with it aspirations and spurious elements which may put public peace in danger; but those aspirations and those elements will not be able to overcome the good sense of the nation and the social interests which are in favor of the preservation of the peace, of the institutions, and of the progress of the country.

1060. The preceding brief explication expresses the truth respecting the origin and results of the civil and foreign wars which Mexico has sustained, and demonstrates that it is not probable that those wars will again spring up, or that public peace will be in any way gravely disturbed, and that, therefore, the situation of Mexico is like that of other nations, which are exposed undoubtedly to commotions and reverses, but that there is no especial motive to fear at present any serious disturbance of peace.

1061. It is true that, in general, public opinion is prejudiced respecting Mexico, because it has not well understood the object of the wars that have taken place here, and in consequence, cannot either appreciate impartially the past, the present situation and the future of this country. This causes a certain distrust to subsist, which impedes the investment of foreign capital, and the establishment of useful enterprises, that would contribute greatly to the prosperity of this nation; but in the judgment of the Mexican Government, the way to serve the general interests of the civilized world, in what concerns the Mexican question, is not in exaggerating the dangers of a fresh reverse and the consequent insecurity, but in explaining the causes of the past reverses, because this sole explication is sufficient to demonstrate that it is not probable they will be reproduced.

4. OPINION OF UNITED STATES REPRESENTATIVES AND OTHER DISTINGUISHED NORTH AMERICANS RESPECTING THE REVOLUTIONS OF MEXICO.

1062. It is believed proper to consider the opinions expressed by Representatives of the United States to Mexico, and by other distinguished citizens of the neighboring nation, respecting the revolutions that have taken place in this country, for they contribute greatly to illustrate this important question.

a. Opinion of the Hon. Thomas H. Nelson.

1063. The Hon. Thomas H. Nelson, predecessor of Hon. John W. Foster, in the office of United States Representative to Mexico, comprehended the cause, object and result of the revolutions in Mexico, and had great hopes for the future of this country. Respecting the questions of security and protection of life and property, he expressed himself in these terms in the communication which he addressed to Mr. J. S. Oglesby from Terre Haute, State of Indiana, December 13th, 1872, and which has been already quoted from several times in this exposition:

"Nothing is more common among persons possessing only a superficial knowledge of affairs in Mexico than the belief that its present situation is infinitely less prosperous than that of the time before its emancipation from the yoke under which it was held by Spain. This assertion, which first circulated in the United States in the period of the war against Mexico, and which then was founded on plausible though not accurate reasons, has acquired so much force in consequence of its constant repetition, that it has come to be one of the commonplaces in the North American press, and one of the firmly rooted convictions of the people of the United States. To those, however, who know in what consists the true vital force and prosperity of a people; who know how to distinguish between the interests of a determinate class and those of a whole nation; who comprehend that the false brilliancy of a few aristocrats, and the fallacious ostentation of a church, enriched with the

1059. Improbability that the elements of discord will overcome the good sense and the interests of the nation

1060. No motive to fear at the present time any serious perturbation of public peace.

1061. Propriety of manifesting to the civilized world the causes and object of the revolutions that have taken place.

1062. Opinions of North American citizens respecting the revolutions that have taken place in Mexico.

1063. Opinion of Hon. T. H. Nelson, expressed in his communication of December 13th, 1872, to Mr. J. S. Oglesby.

spoils of several centuries, do not constitute the prosperity of a nation ; and lastly, who have made an intelligent comparison between the Mexico of the present period, that of the preceding generation, and new Spain under its last Viceroys, it is evident that Mexico has not only rapidly advanced on the road of progress, but, that it has also passed through the crucible of political regeneration, secured the great conquests of civil and religious liberty, and opened a vast field to the regenerating influences which will shortly cause it to participate in the admirable blessings which Providence has so prodigally bestowed upon our own favored soil.

"At the beginning of this century, and during many years after, Mexico was the most populous country of the New World, and its capital the largest city in America. Since then Mexico has almost doubled its population, notwithstanding having lost two-thirds of her territory; but the surprising rapidity with which the United States have progressed, leaving Mexico very far behind, causes us to look upon its slower progress as a retrocession.

"The long series of revolutions of which Mexico has been the prey has been the natural cause that it should be believed in other countries that the Mexican people are essentially turbulent and ungovernable. Those who think such a thing are not acquainted with the causes which have given rise to the political commotions of Mexico, and, consequently, are ignorant of the reasons which can be adduced to demonstrate that the revolutionary epoch of Mexico has really come to an end.

"At the consummation of its independence, Mexico was absolutely not educated to govern itself. The movement of insurrection initiated in 1810 by the priest Hidalgo was quenched in blood after eight years of disorderly war, during which the insurgents never succeeded in establishing a regular government. The movement of Iguala, which, in 1820, produced the separation from Spain, under the direction of Augustin Iturbide, had for its object simply independence from Spanish domination, but without any intention of effecting a change in the form of government.

"The fact of Mexico now being a republic is owing, in the first place, to the royal family of Spain refusing to send one of their princes to the throne of Mexico, and in the second place, to the reaction effected by the Spanish party in Mexico, who did not wish to see a native of the country seated on the throne which was intended for a Spanish prince. The Republic was founded in 1824, after the fall of the ephemeral Empire of Iturbide, which had been established, not because there was not in Mexico a Republican party, but because this was the only government possible in the absence of a chief of the nation. The first presidents of Mexico and their ministers were almost exclusively persons of monarchist principles, and it will be easily understood the confusion which this fact introduced into all branches of the Administration. Personal ambition took the place of administrative capacity, and as the armed forces were the only means by which to satisfy that ambition, military chiefs only, during almost forty years, occupied the Presidency of Mexico. The first Constitution, a hastily traced imitation of our own, could not flourish in such a soil. The North American Constitution was the end of military colonies, which were formerly separated ; the Mexican Constitution set up semi-independent States in a country which had heretofore been governed by a centralizing system. It was natural that the first period of the independent existence of Mexico should suffer the plague of strife between despotic and liberal institutions, between centralism and federalism, and that the contention should be the more bloody, the more it was moved by the interests of personal ambition. The most notable man that Mexico has produced, General Santa Anna, symbolizes exactly, in his varied career, the war of ideas to which Mexico has been subjected to until but a short time ago. Having commenced his public life as a subaltern in the Spanish army, in making war upon the first insurgents, he is seen in 1821 to obtain the rank of General for his co-operation in the monarchical revolution of Iturbide, and to be the first to "pronounce" against that unfortunate Emperor in 1822. During the period of almost fifty governments which since then have ruled the affairs of Mexico, Santa Anna has made war, either openly or secretly, in favor or against each Administration except his own. Elected as a Federalist at the first period of his Presidency, he put aside the Federal Constitution. In his second period he again overturned existing institutions, to favor another plan of government. In the third period of his Presidency he restored the Constitution of 1824, and his last Administration made him Dictator, with the title of "Alteza Serenisima." What Santa Anna has done on a large scale, many other military chiefs have done in the less vast theatre of the State governments. The question of the form of government could never be considered or definitely settled for Mexico until the adoption, in 1857, of the present Constitution ; and this event, as is very well known, came to be the signal for the essentially religious contention known by the name of the War of Reform, which, in its turn, had for a consequence the foreign intervention and the transient Empire of Maximilian.

"The facts on which the preceding summary is founded fills the sad history of Mexico for half a century, and, it must be confessed, that they are sufficient to justify the vulgar belief that Mexico is a country essentially turbulent. Notwithstanding, if the facts mentioned are considered, can it be wondered at that it has cost half a century of blood and suffering to conquer the security of a prosperous future, under the auspices of a pure republican system of government ?

"The history of the fifteen years elapsed since the adoption of the Constitution of 1857 is a sufficient guarantee that Mexico really has the expectation of a similar future. The great questions, which for so long a time have agitated the country, have been, in my conception, definitely settled. It is certain that Mexico will continue on, without interruption, under its present republican and federal regimen ; it is equally certain that the power and influence of the clergy, which, during three centuries and a half has been like a vampire sucking its life-blood, has passed, never to return ; and, lastly, that the people have now acquired that education to govern themselves, which will make them capable of easily solving the administrative problems of the future. Above all, there is no longer any question pending for the future, which, like that which we had, by reason of slavery, would be a constant menace to the perpetuity of its institutions. Strong though the magnificent acquisition of its liberty and independence, as also by the secure friendship of her powerful neighbor, rich in the innumerable treasures of its soil and climate, immensely favored by its geographical position, respecting the commerce of the world, resolved to adopt and naturalize the great inventions of the age for abbreviating time and shortening distances, Mexico is now entering on an era of internal improvements which may be considered commenced, from the conclusion of the railroad between the City of Mexico and the port of Vera Cruz, at the end of the present year."

1064. It is noticeable, the conformity there is between the opinions of the Hon. Thomas H. Nelson and the ideas which have just been enunciated in this exposition.

B. Opinion of Hon. John W. Foster.

1065. The Hon. John W. Foster, although in a very passing allusion, referred in a few words to the results of the revolutions in Mexico, in the speech he delivered in New Orleans before the Chamber of Commerce, November 18th, 1875, in these terms :

"It has been impossible to conceal the fact from the sincere friends of Mexico, that the civilized world appeared to be on the point of losing all hope respecting its pacification, and that it almost came to the belief that its people were unworthy to inhabit that beautiful country, so prodigally endowed by nature, but these last years of peace, and the reconstruction which the republican leaders have effectuated, and continue effectuating, are a proof, certainly very pleasing, that its public men are capable of carrying out its regeneration."

C. Opinions of Mr. George Bancroft.

1066. It is proper to set forth here the opinions, on this same subject, of some of the most distinguished citizens of the United States, taking those which are nearest to hand, for it would be very lengthy to insert all that has been said on this subject by North American writers and statisticians.

1067. The eminent North American historian, George Bancroft, said, in a speech he delivered at a demonstration made in New York in favor of the republican cause in Mexico, March 29th, 1864, as follows :

"I believe, gentlemen, that the cause of civil wars, not only in Mexico, but in all Spanish America, has been exclusively the clergy, who, when they come to acquire influence in the State, always try to put themselves above the government, and to subordinate the temporal interests of society to their own. This attribute appears to be principally that of the Roman Catholic clergy. The struggle in which, up to this time, the Mexican patriots were engaged, was a holy struggle, and in it the sympathy was on their side of all the people of the United States, who, whatever may be their religious beliefs, adopt as a fundamental principle the most complete religious liberty and the absolute independence of the Church and of the State."

1068. The same Mr. George Bancroft said, in a discourse he delivered by nomination of the United States Congress, at the apotheosis of Abraham Lincoln, celebrated February 12th, 1866, in the Capitol at Washington, as follows :

"But our neighboring Republic of Mexico was like us, and for a similar cause divided by a rebellion. The English monarchy had implanted slavery with us, which did not end with Independence ; in a like manner the ecclesiastical policy of the "Spanish Council of the Indies," in the days of Charles X. and Phillip II., retained its vigor in the Mexican Republic. The fifty years of civil war which had made it languish proceeded from the fanatical system bequeathed by the monarchy, as here the inherited slavery gave life to the political quarrel.

1064. Conformity between the opinion of Hon. Thomas H. Nelson and the ideas expressed in this exposition.

1065. Hopes of John W. Foster on the future of Mexico, expressed in his speech of November, 1875.

1066. Opinions of distinguished citizens of the United States respecting Mexico.

1067. Observation of the historian George Bancroft, respecting the struggle sustained in Mexico against the clergy.

1068. Explication of the same historian respecting the duration of the civil war in Mexico.

which led to the civil war. As among us there could be no quiet but in the annihilation of slavery, so in Mexico there could be no prosperity without the cessation of the ominous tyranny of intolerance."

D. Opinion of Mr. David Dudley Field.

1069. In the same demonstration made in New York, March 29th, 1864, in favor of Mexico, which has just been alluded to, Mr. David Dudley Field said as follows :

"This is not the place to enter into a discussion of the motives which hastened the French invasion, or to trace the history of the parties that have divided Mexico, and which have been the pretext for the intervention of foreigners in its domestic affairs. It may be said, however, that whatever have been the incidental questions which may have resulted, there is one great question and one principal aspect in the controversy: the pretension, on the one hand, of the Church to interfere in the affairs of the State, and on the other, the pretension of the State to remain free from the intervention of the Church. We hear the Church party constantly spoken of. What does that mean, about the Church party? What has the Church to do legitimately in temporal affairs? Among us it has been a fundamental maxim, since the formation of our government, incrustated in our organic laws, that there must be perpetually a total separation between Church and State. The Mexican people, that is to say, the patriotic part of them, are struggling to attain the same end, and in this, we Americans, of all beliefs and all parties, desire for them the most complete victory."

E. Opinion of Mr. Roscoe Conkling.

1070. The Hon. Roscoe Conkling, United States Senator from the State of New York, in a letter addressed to Hon. Hiram Barney, dated at Utica, September 28th, 1869, in reply to an invitation to attend a demonstration made in New York, in favor of the Mexican Republic, October 2d of the same year, said as follows :

"The combat of ideas which has taken place in Mexico, and by Mexico, was our combat; there the foreigner and invader, as here the ingrate and the conspirator, made a war of races; and Mexico, like North America, fought for man and participant with us of a common continent, the triumphs of a common cause."

F. Opinion of Mr. Horace Maynard.

1071. The Hon. Horace Maynard, Representative from the State of Tennessee to the United States Congress, in a letter addressed to the Hon. Hiram Barney, with the same object as the preceding one, dated at Knoxville, September 30th, 1867, said as follows :

"The last years that have just elapsed have put their country to the proof, as well as our own; for the same in that as in this, has republican government been put on trial; here, by domestic treason sustained by foreign aid, and there by foreign enemies, sustained by traitors to the country, good fortune rewarding in both the friends of free institutions, and doing everything possible to found their principles in the estimation of the human race. Both have come to confirm, that the most powerful, benignant and magnanimous form of government is that which seeks its upholding in the will and affections of the people, and both have set forth new and important principles in the code of international law."

5. SUMMARY OF FACTS IN REFERENCE TO THE ORIGIN, OBJECT, RESULT AND FUTURE OF REVOLUTIONS IN MEXICO.

1072. From what has been mentioned up to this, in reference to the origin, object, result and future of revolutions in Mexico, from the point of view of its exterior commerce, the following facts appear demonstrated:

1st. That the wars and revolutions which occurred in Mexico from 1810 to 1867 have had for their object to conquer the independence of the nation, to make this independence secure, defend the integrity of national territory, secure its autonomy, establish liberal progressive institutions, similar to those of the United States, and to attain to the social and political regeneration of this country, to promote its material aggrandizement by removing the obstacles which stand in the way of these ends.

2d. That, therefore, those revolutions have not emanated from any decided tendency of this country to dis-

1069. Opinion of Mr. David Dudley Field respecting Mexico, expressed March 29th, 1864.

1070. Opinion of Mr. Roscoe Conkling respecting the same subject, expressed September 8th, 1867.

1071. Opinion of Mr. Horace Maynard on the same subject, expressed September 30th, 1867.

1072. Summary of the facts in reference to the origin, object, result and future of the revolutions in Mexico.

order, nor of its public men to assault the power by means of arms, and overturn public peace for personal motives, as is generally believed abroad.

3d. That even when, in the course of the wars and revolutions which occurred in Mexico, from 1810 to 1867, the objects indicated might be clearly perceived in some cases, and there have occurred incidents that might give ground for the belief that the cause of the revolutions was the propensity of the country to disorder, and the personal and ignoble motives on the part of public men, the true tendency of such revolutions has been that which has been indicated.

4th. That by virtue of the wars and revolutions Mexico has sustained, its independence being conquered and its sovereignty, its autonomy, its liberty, its institutions, and its social and political regeneration, it is not probable that new revolutions will take place, for these would be destitute of a patriotic object, that could satisfy the hopes and aspirations of the nation, and, therefore, public opinion would not sustain them.

5th. That the opinion of the civilized world being generally deceived respecting the origin, object, result and future of revolutions in Mexico, attributing these to very different motives from those which have occasioned them, and considering them as a chronic evil of the country, in which they will be repeated, with no further object than purely personal motives, it is a work proper to the interests of civilization to represent the matter as it is in itself, in order to dissipate the pre-occupations which prevail respecting it.

6th. That the mistaken idea which generally prevails abroad, respecting this point, being one of the obstacles which oppose the progress of Mexico, it is doubly proper to rectify these mistakes.

7th. That some Representatives of the United States to Mexico, and various of their most distinguished fellow-citizens, have recognized these facts, which has not been sufficient up to the present time to rectify the errors which prevail abroad respecting the revolutions of Mexico, and not even to make uniform the opinion of the United States on this point.

II. EFFECTS WHICH THE REVOLUTIONS HAVE PRODUCED RESPECTING THE RESOURCES OF THE COUNTRY AND THE POSSIBILITY OF ITS SUSTAINING A GREAT COMMERCE.

1073. The Report, on treating of this subject, states that every one who visits Mexico is impressed with its marvelous natural resources, the fertility of its soil, the benignity of its climate, and its capacity for maintaining a large population and an extensive commerce; that the motto of its patron saint is the recognition of these benefits and gifts: "*The Lord has not done the same with any other nation*;" that this natural wealth of the country and its admirable situation between the two oceans has caused a persistent and exaggerated idea to spring up in the United States, about the present extension of its foreign commerce, and it is held by the spirit of enterprise and avarice of their merchants as a rich prize, to possess which they have only to come and appropriate it.

1074. The Report says, in continuation, that, "the proof of the capacity of a nation for foreign commerce is its export trade; that in the United States it has been said that this trade was from sixty to seventy millions of dollars; that for many years it has not exceeded thirty-one millions, and that on an average it has been twenty-seven millions, more or less; that the Secretary of the Treasury, in his last report, says, that according to official data the exportations for the fiscal year ending June 30th, 1877 (the last of which there is any report), were \$28,772,194 24; that if this figure is compared with the exportations of other Spanish-American countries, with the West India Islands, or with the British colonies, it will be found that Mexico *occupies the last place on the list*; that taking the last statistical data that can be found in this city, which, in substance, are no doubt exact, he has formed a table, in which three South American Republics are wanting which have an insignificant shore on the sea, and that it shows the population and the exportations of the countries named and the amount of foreign trade for each inhabitant."

1075. The table the Report mentions is as follows:

1073. Observations of the report on the fertility of the soil and the benignity of the climate of Mexico

1074. Amount of the exportation of Mexico in the fiscal year of 1876-7 compared with that of other nations.

1075. Comparison between the amount of exportations from Mexico and from other countries.

	Population.	Exportation.	Per Capita.
Mexico.....	9,000,000	28,772,194	3.19
Central America.....	2,600,000	16,500,000	6.34
Cuba.....	1,350,000	90,000,000	66.60
Puerto Rico.....	615,000	8,500,000	13.80
Hayti.....	512,000	8,591,000	13.00
Santo Domingo.....	136,000	690,000	5.00
Jamaica.....	500,000	6,200,000	12.40
Columbia.....	2,800,000	9,984,000	3.50
Venezuela.....	1,800,000	17,300,000	9.60
Peru.....	2,500,000	35,000,000	14.00
Chili.....	2,068,000	37,771,000	18.20
Argentine Republic.....	1,800,000	45,000,000	25.00
Uruguay.....	450,000	16,000,000	35.50
Brazil.....	10,161,000	107,310,000	10.50
Australia.....	1,939,000	182,950,000	94.30
New Zealand.....	440,000	28,379,000	64.50

1076. The preceding table contains various inaccuracies, for, according to the most recent data obtainable, neither the number of inhabitants nor the exportation of some of the countries comprised in the said table are exact. Further on proper rectifications will be made on this subject, saying here only that the proportion *per capita* is not accurately drawn in nine out of the sixteen countries comprised in the statement.

1077. The Report, after inserting the preceding table, again sets forth the great elements of wealth of Mexico, stating that "of all the countries that appear in this list, there are only two that have larger national resources and advantages than Mexico; that Cuba has a fertile soil and great facilities respecting the sea coast; but it does not possess the inexhaustible precious metals that Mexico has; and with all the rest it will be found that Mexico has always some important natural advantage superior to all of them; that it can produce all the coffee consumed in the United States; that it has a larger area of sugar lands than Cuba, and of equal fertility; that it can produce the vegetable textile fibres as well as any other country in the world; that almost all the dyeing substances and all the tropical drugs, as well as all the fruits of the world, can be cultivated successfully; that its varied climate permits the growth of all the cereals of every zone; that its lands offer the best and most extensive conditions for the feeding of sheep and cattle; and that most of the able miners from American mines, who have examined its mineral wealth, sustain that, even in its most distant mountains, it is superior to California, Nevada, or Australia; that if all this is exact, or even the half of it, why then is Mexico found in the last place among civilized nations regarding its exterior commerce? that there is only one reply to this question, its revolutionary state."

1078. In continuation the Report manifests the wonder it causes, that, the natural elements of Mexico being so great, this nation should be found in the last place among civilized countries regarding its exterior commerce, without finding any other answer to this inquiry than that of attributing the little exportation to its revolutionary state, and adds:

"That this places it outside of the road of all material progress, of all enterprise, of every kind of business and economic reform; that this is what has destroyed its exterior credit; that it is, more than any other cause, what makes the building of railroads impossible; that which prevents the making of necessary reforms in the tariff and in the regulations of interior trade; that which drains the National Treasury; and that which has brought the masses of the people to poverty by undermining their energy."

1079. The Report concludes on this point by saying "that reference has been made to the exalted ideas that exist in the United States in regard to the magnitude of trade possible with this country; that the persons who harbor this idea forget, or do not know, that two-thirds of all the population are indigenous or Indian; in the present sad state of almost all the industries, these people have little in which to employ themselves, so that the majority of them do not work half the year; that the common price of labor, outside of a few cities and industrial centres, does not average more than two *reals* (25 cents) per day, and in many parts of the country does not exceed one *real* (12 1-2 cents); that, therefore, considering the idleness and the feast days, the working mass

1076. Inaccuracies contained in the table of the exports of different countries.

1077. The Report attributes the present bad condition of Mexico to its revolutions.

1078. Description of the evils caused to the people of Mexico by its revolutions.

1079. Observations of the report on the limited consumption of foreign goods in Mexico.

of the people of this country do not receive twelve and a half cents per day; that the necessary consequence is that with the benign climate and fertile soil, with a few cents is bought the daily food of beans, tortillas and chile on which they ordinarily live, and with a few yards of *manta* (a coarse cotton cloth) they provide themselves with clothes for a whole year; that it does not require much ability in calculation to estimate the amount of foreign, merchandise consumed by part of the population; that there are counties in the United States which alone consume more articles of foreign origin than all the Republic of Mexico."

1080. For the better understanding of this important subject, it becomes necessary to examine, with the proper separation, the following subjects:

1. Amount of the present exportation of Mexico.
2. Comparison of this exportation with that of other countries mentioned in the Report.
3. Causes of the limited state of present exportation in Mexico.
4. Effects of the revolution on the exportation of Mexico.
5. Present condition of the Indians in Mexico.
6. Consumption of foreign merchandise in Mexico.
7. Summary of facts in reference to the result of revolutions in Mexico, from the point of view of exterior commerce.

1. AMOUNT OF THE PRESENT EXPORTATION OF MEXICO.

1081. In another part of this exposition it has already been shown, in detail, what is the present exportation of Mexico, and what the causes are that have prevented this exportation from taking the growth it ought, considering the great elements of wealth of this country. It is believed unnecessary, therefore, to repeat those considerations, which can be seen in the preceding part of this work (paragraphs 766 and 774).

1082. The Report cannot be considered exaggerated in fixing the population of Mexico at 9,000,000 of inhabitants, nor its present exportation at \$28,772,194, which comes to give the proportion of \$3 19 per capita, which sum is really limited, particularly compared with the exportation of other countries which have the same origin as Mexico, and similar to it in various aspects. But it ought to be borne in mind that, as has been already shown (paragraph 204), two-thirds of the population of Mexico are composed of Indians, who neither consume foreign goods, nor produce more than necessary for their own subsistence. The productive population of Mexico ought, then, to be estimated at most in 3,000,000 of inhabitants, and in this case the proportion for each inhabitant would come to be \$9 57 per capita, which would place Mexico, if not among the first of the American exporting countries, neither as the last of them, as is made to appear in the table inserted in the Report.

1083. It ought to be borne in mind, besides, that the natural circumstances of Mexico, the ruggedness of its mountains, the lack of easy and cheap ways of communication, the difficulty of building roads on its broken soil, and the unpopulated condition of its coasts, make difficult, if not impossible, the extraction of its products from the interior to the coast, and prevents completely its being able to compete with other nations, that have natural and easy ways of communication, or railways, to enable them to transport their products quickly and cheaply.

1084. In spite of all these difficulties, which must be taken into account on fixing the amount of the exportation of Mexico, and the mention of which the Report omits completely, the exportation could be increased, even without the need of constructing railways, and without varying essentially the conditions of the country from \$28,000,000, its present amount, to something like \$100,000,000, by only promoting the development of mining, which is the industry easiest to be worked in Mexico, for reasons that have been set forth in another place. In this case, the proportion of exportable values would come to be \$11 per inhabitant, considering the population at 9,000,000, and \$33 per inhabitant, if only the productive and consuming part of the population of the country is taken into account.

2. COMPARISON OF THE EXPORTATION OF MEXICO WITH THAT OF OTHER COUNTRIES.

1085. From the statement of the population and exportation of various nations, principally American, which the Report inserts, it appears that Mexico is the nation which occupies the last place in the production of exportable articles, among the nations of this Continent, the adjacent islands, Australia and New Zealand. It is thought

1080. Rectification of the estimates of the Report of the effect of the revolutions of Mexico on its commerce.

1081. Reference made to the paragraphs which treat of the present exportation of Mexico.

1082. Calculation on the proportion between the exportation of Mexico and its productive population.

1083. Special circumstances which make it difficult for Mexico to export its products on a large scale.

1084. Mining is at present the branch of industry easiest to be worked and most capable of increasing the exportation of Mexico.

1085. Examination of the comparative table of the exportation of Mexico, and those of other countries.

proper to make here some rectifications of the said notice, and to present some considerations, besides those which have been just set forth, which explain the clause of the limited production of exportable effects there is in Mexico, by comparing the circumstances of this country with those of the others comprised in the notice set forth in the Report.

1086. Only the American nations and islands will be spoken of, as they are those which have the most points of comparison with Mexico, dividing them in this manner:

- A. Adjacent islands and North America.
- B. States of Central America.
- C. Nations of South America.

A. Adjacent Islands and North America.

1087. Among the countries of North America mentioned in the Report, for making a comparison of their respective exportations with those of Mexico, figure the Islands of Cuba, Santo Domingo, Puerto Rico and Jamaica, of which it is proper to speak separately, for due elucidation.

a. Island of Cuba.

1088. In the American nations comprised in the notice inserted in the Report, the Island of Cuba occupies the first place, for its exportation is equivalent to \$66 60 per inhabitant, which proportion is really considerable. If it is taken into account that the form of the Island of Cuba facilitates greatly the exportation of its products, inasmuch as its length is considerable and its width relatively limited, that it occupies a most advantageous position, bathed on the one side by the Gulf of Mexico and on the other by the Atlantic Ocean; that it is very near the market of the United States; that its territory is almost a plain, situated in the Torrid Zone, and with great advantages for the cultivation of tropical fruits, and particularly of sugar, the production of which has developed largely, it will not appear strange that the production of that island, whose principal products are now sugar and tobacco, should amount to \$90,000,000 per annum, notwithstanding that its population hardly passes 1,000,000 inhabitants. If Mexico had the same advantageous condition, its products of exportable articles would undoubtedly be much more considerable than it is at present.

1089. The data of the Report respecting the Island of Cuba contain a mistake which it is opportune to rectify. The almanac of Gotha for the present year of 1879 fixes the population of Cuba in 1876 at 1,414,508, while the table calculates it at 1,350,000.

1090. The principal article of production and exportation of the Island of Cuba is sugar. The following table demonstrates the production and exportation of that article in the years from 1873 to 1875:

	PRODUCTION BY TONS, OF 2,200 Lbs.			EXPORTATION BY TONS, OF 2,200 Lbs.		
	1873	1874	1875	1873	1874	1875
Sugar.....	796,179	695,028	738,430	714,960	656,151	665,201
Molasses.....	242,308	208,676	223,840	189,333	175,230	180,965
Total.....	1,038,487	903,704	962,270	904,293	792,886	846,166

b. Santa Domingo.

1091. What has just been said respecting the production of the Island of Cuba is exactly applicable to the other islands mentioned in the Report, as Santo Domingo, Puerto Rico and Jamaica.

1086. Division of the countries of America in order to make the comparison of their exportations with that of Mexico.

1087. Islands adjacent to North America annotated in the table of the Report.

1088. Exportation of Cuba and explication of the causes of its magnitude.

1089. Rectification of the data of the Report on the population of Cuba.

1090. Production and exportation of Cuba in sugar and molasses in 1873-74-75.

1091. Production of Santo Domingo, Puerto Rico and Jamaica, under the same conditions as that of Cuba.

1092. It must, besides, be set forth that, according to the said almanac of Gotha, the population of Santo Domingo is 250,000, while the Report fixes it at 136,000. The said almanac fixes the exportation in the year 1875 at \$1,546,809, while in the Report it only figures at \$690,000. The principal articles of exportation were in that year: Tobacco, 11,613,230 lbs.; sugar, 7,152,015 lbs.; coffee, 264,179 lbs.; honey, 115,580 lbs.; wax, 289,062 lbs.; acaju wood, 1,375,790, and some dye wood.

c. Puerto Rico.

1093. Besides the general observations applicable to this Island, in speaking of Cuba, and which apply, also, to Jamaica, it must be stated that the almanac of Gotha fixes the population of Puerto Rico in 1876 at 666,144 inhabitants, while in the table of the Report it figures only at 615,000.

1094. The exportation of Puerto Rico was, in 1875, the following: Sugar, 1,603,851 quintals; molasses, 5,663,138 gallons; coffee, 254,634 quintals; tobacco, 62,514 quintals; cotton, 2,059 quintals; hides, 4,835 quintals, and rum, 15,548 gallons.

d. Jamaica.

1095. The population of Jamaica, which the Report fixes at 500,000 inhabitants, was, in the year 1871, according to the last almanac of Gotha, 506,154, it being probable that it has increased since then.

1096. The exportation of Jamaica in the year 1875 was £1,517,000, which, calculated at \$5 to the pound, made \$7,585,000, and the Report calculates it at \$6,200,000.

B. States of Central America.

1097. The five States forming Central America will be considered, with the proper separation, calling to notice, first, that the Report fixes the population of the said States at 2,600,000 inhabitants, while the almanac of Gotha calculates it, for the present year, at 2,461,974, in this form: Costa Rica, 185,000; Guatemala, 1,190,754; Honduras, 351,700; Nicaragua, 300,000, and Salvador, 434,520. Total, 2,461,974.

a. Costa Rica.

1098. The production of Central America had been, up to the year 1848, very limited and inferior in proportion to that of Mexico. Costa Rica was the first State that dedicated itself to the cultivation of coffee. From the year 1835 it already exported that grain, and the cultivation has steadily increased. The President Carrillo gave an impulse to this industry by selling lands at very low prices and on long terms, to those who would sow them with coffee, cocoa or sugar cane. This industry has made Costa Rica the model State of Central America, for land is worth more there than in the others; the *manzana*, which is 100 *varas* square, sells near the towns at \$500, which gives the *caballeria* a value of \$33,000; labor is a dollar or a dollar and a-half per day, while in the others it does not pass 37½ cents, and the exportation is very large, taking into account the limited number of its population.

1099. The exportation of Costa Rica in the year of 1877-8 was, according to the almanac of Gotha for 1879, to the value of \$5,887,062 through Punta Arenas, and \$300,000 through Limon. It exported of coffee only 28,804 lbs., and the other articles exported were rubber, hides, cheese, copper, mother of pearl shell, sarsaparilla, and various others.

b. Guatemala.

1100. The exportation of Guatemala was of little importance till the year of 1848, and consisted almost exclusively of cochineal, hides and woods, the value of which did not amount to \$1,500,000 per year.

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- 1092. Rectification of the data of the Report on the exportation of Santo Domingo in 1875.
 - 1093. Rectification of the number of inhabitants of Puerto Rico in 1876.
 - 1094. Exportation of Puerto Rico in 1875.
 - 1095. Rectification of the number of inhabitants of Jamaica.
 - 1096. Rectification of the exportation of Jamaica.
 - 1097. Rectification of the number of inhabitants of the five States of Central America.
 - 1098. Rapid progress of Costa Rica from having dedicated itself to the cultivation of coffee.
 - 1099. Details of the exportation of Costa Rica in the year 1877-8.
 - 1100. Exportation of Guatemala up to 1848.

1101. From then commenced the cultivation of coffee, for which all the States of Central America have conditions very favorable; and this cultivation, which progressed rapidly, has caused the exportation of those countries to increase to a large degree; thanks to the good price coffee has had for some years past. The first coffee cultivated in Guatemala was sown in Escuintla in 1854, and the first exportation was in 1859. The cultivation went on spreading to the higher places, such as Peapa and Old Guatemala, and afterwards reached Villanueva, and the environs of the capital and various other places of the country.

1102. The exportation of Guatemala amounted, in 1876, according to the same almanac of Gotha, to \$3,699,000, of which sum coffee represents \$3,318,397, there having been exported 20,740,100 lbs. of that grain, and the other products exported being cochineal, hides, lumber, cocoa, sarsaparilla, indigo and rubber. The exportation of coffee in the last year was 209,358,077 quintals, which, estimated at 16 cts. per lb., amounted to \$3,349,740 32, and that of sugar 31,610 quintals, which amounted to \$110,635.

c. Honduras.

1103. According to the President, J. M. Medina, the exportation of Honduras may be estimated at \$1,305,000, in the following form: gold and silver, \$600,000; indigo, \$200,000; cattle, \$150,000; lumber, \$180,000; hides, \$100,000, and various other articles, \$75,000. In 1848 Honduras exported hides, lumber, and some gold and silver.

d. Nicaragua.

1104. Nicaragua also exported hides and lumber. Now it has dedicated itself to the cultivation of coffee; and although that industry has not there had the same development as in other States of Central America, it has contributed, notwithstanding, to gradually increase its commerce.

1105. The exportation of Nicaragua in 1876 was \$1,460,596, consisting of india-rubber, \$377,586; coffee \$280,623; gold and silver, not coined, \$225,745; Brazil wood, \$100,866, and the rest in indigo, hides, cedar, and other articles.

e. Salvador.

1106. Salvador exported before the year 1848 only some indigo and tobacco for Europe, and a little sugar for Guatemala, and the total value of its exportation was greater than that of Guatemala. The cultivation of coffee, and the growth in the production of sugar, have augmented considerably the exportation of Salvador, which now occupies an important place among the States of Central America.

1107. The exportation of Salvador was, in the year ending September 30th, 1876, \$3,605,023. The most important article was indigo, which amounted to \$1,561,699; next in order, coffee, which came to \$1,209,562; metals, \$157,732; sugar, \$119,180; balsam of Peru, \$711,110; tobacco, \$42,175, and hides, \$41,340.

1108. In the year ending September 30th, 1877, exportation amounted to \$3,960,932, of which sum coffee represented \$1,686,194, and indigo, \$1,636,227.

f. General Considerations on Exportation of Central America.

1109. The circumstance that in Central America the cordillera runs very near the coast, principally on the Pacific shore, and that the principal part of the population is established on the slopes of that cordillera, near to the sea, and without great difficulties for the construction of roads, has contributed greatly to increase there the production of coffee. The like does not occur in Mexico, for in some places the cordillera retires very much from the coast, and the principal centres of population are situated at some distance from the sea, there being in the intermedium difficulties of more or less magnitude for the transportation of productions.

1101. Increase in the exportation of Guatemala in consequence of the cultivation of coffee.

1102. Details of the exportation of Guatemala in 1876 and 1878.

1103. Details of the exportation of Honduras, according to the President, J. M. Medina.

1104. Increase of the commerce of Nicaragua in consequence of the cultivation of coffee.

1105. Details of the exportation of Nicaragua in 1876.

1106. Exportation of Salvador before 1848, and its increase in consequence of the cultivation of coffee and of sugar cane.

1107. Details of the exportation of Salvador for the year ending September 30th, 1876.

1108. Exportation of Salvador in the year ending September 30th, 1877.

1109. Explication of the causes why the production of Central America is greater than that of Mexico.

C. Nations of South America.

1110. The following States of South America mentioned in the Report will be here spoken of in the following order:

- a. United States of Colombia.
- b. Venezuela.
- c. Peru.
- d. Chili.
- e. Argentine Republic.
- f. Uruguay.
- g. Brazil.
- h. General considerations on the exportation of South America.

a. United States of Colombia.

1111. The United States of Colombia are found in circumstances similar to those of Mexico; that is, with its population in the interior, and with natural difficulties for the extraction of its products, notwithstanding having some navigable rivers, and for this reason its exportation comes to be nearly equal to that of Mexico.

1112. The exportation of Colombia, according to the Records of the Treasury and Public Works, addressed December 31st, 1877, to the President of that Republic, by Sr. Luis Bernal, for the Congress of 1878, was in the year of 1876-7, \$10,049,071 10, and importation \$6,709,109 70; in the year of 1875-6 the exportation was \$12,722,811, and in that of 1874-5, \$9,984,373.

1113. The details of the exportation for the year of 1876-7 is the following, taken from the same Record:

	Kilogrammes.	Value.
Sugar	38,515	\$3,659
Starch	35,318	3,352
Brandy	23,342	3,812
Rice	6,360	1,099
Cotton	820,793	201,115
Indigo	27,348	62,992
Animals .....	.....	9,116
Balsam	23,715	17,791
Cocoa-nuts	116,532	4,040
Cocoa	4,885	2,010
Cautchouc	304,512	174,579
Hides of all kinds	1,357,457	621,449
Coffee	3,428,832	1,168,828
Carmine	26,415	13,927
Copper	421	56
Tortoise-shell	150	1,040
Cane	67,563	573
Beef	206	83
Dividivi	3,090,368	97,619
Money—gold and silver .....	.....	1,991,872
Mats	6,063	2,342
Beans	3,476	220
Mineral	456,465	410,500
Lumber	241,200	6,275
Indian corn	22,269	890
Yarns	31,325	467
Gold-dust	134	51,674
Gold in bars .....	.....	428,828

1110. Order in which the States of South America mentioned in the Report will be examined.

1111. Exportation of Colombia limited from its circumstances being similar to those of Mexico.

1112. Amount of the exportation of Colombia in the years of 1874-5, 1875-6, 1876-7.

1113. Details of the exportation of Colombia in the year of 1876-7.

Gold and silver in bars.....	.....	822,724
Brazil wood.....	220,797	7,040
Guayacan wood.....	40,070	296
Mora wood.....	1,039,576	18,431
Cedar.....	600,000	15,000
Panela (crude sugar in cakes).....	31,115	2,104
Plants.....	20,905	13,295
Precious stones.....	.....	40,000
Pinuelos.....	81,340	345
Skins.....	1,160	590
Quina (Cinchoria).....	3,457,600	2,038,003
Cheese.....	3,078	763
Hats.....	24,067	180,830
Cotton seed.....	792,377	19,888
Tobacco in leaf.....	5,792,205	2,109,625
Taguas.....	2,616,337	304,116
Tobacco, manufactured.....	5,384	20,320
Various articles.....	2,401,363	1,849,233

1114. The population of the United States of Colombia, which, in the table of the Report, is fixed at 2,800,000 inhabitants, is, according to the almanac of Gotha, by the census made in 1870, 2,950,017 inhabitants.

b. Venezuela.

1115. The population of Venezuela, which the statement of the Report fixes at 1,800,000 inhabitants, was, in 1873, according to the "Physical and Political Map of the United States of Venezuela," of Sr. Tejera, published in Paris in 1876, 1,784,197.

1116. The exportation of Venezuela, which, in the table of the Report, figures in the sum of \$17,300,000, was according to the almanac of Gotha, in the year of 1875-1876, \$16,112,627, with the following detail: Coffee, \$11,410,000; cocoa, \$1,502,000; cotton, \$548,000; goat and deer skins, \$466,000; skins of other kinds, \$189,000; dye-woods, \$169,000; money and gold in bars, \$1,350,000; and other articles, \$479,627.

c. Peru.

1117. The exportation of Peru has increased considerably since some time past, by reason of the business in guano and the nitrate of soda proceeding from the Chinchas Islands, and in some years the amount exported of those articles alone has passed \$40,000,000. The average exportation of guano for Europe, during the last ten years, has been from 380,000 to 400,000 tons per year, with a value of from 23,750,000 to 25,000,000 sols. The total exportation of nitrate of soda, in 1876, was 7,050,764 Spanish quintals, with a value of 22,209,800 sols.

1118. The other products of exportation are vicuna wool, alpaca and lama, cocoa, wines, cotton, sugar and metals. It is probable that the value of these other articles is considerably less than that of those exported from Mexico.

1119. Respecting the population of Peru there is a rectification to be made in the data of the Report. According to the almanac of Gotha for the present year of 1879 the population of Peru in 1876 was 2,699,945 inhabitants, and not 2,500,000, as set down in the table.

d. Chili.

1120. The present situation of Chili is not very flattering, according as appears from the data set forth in the commercial statistics for the year 1877, presented by the chief of the respective office, Manuel E. Carmona, dated August 1st, 1878, to the Minister of the Treasury of that Republic. Its exportation hardly passes \$30,-

1114. Rectification of the number of inhabitants of Colombia annotated in the table of the Report.

1115. Population of Venezuela in 1873, according to the map of Sr. Tejera, published in 1876.

1116. Details of the exportation of Venezuela in the year of 1875-6.

1117. Increase of the exportation of Peru, by the working of guano and the nitrate of soda.

1118. Exportation from Peru of other articles besides guano and nitrate of soda.

1119. Rectification of the data of the Report on the population of Peru.

1120. Falling off of exportation in consequence of the depreciation of copper.

000,000 per year. Production has diminished, credit has been restricted, gold is disappearing from circulation, and silver is dragged in the same current; there is deficit in the public rents, depreciation of value and paralyzation in commerce and in industry; exportation of all the agricultural products has diminished, and copper, which represents more than three-quarters of the average annual exportation of mining products, has had to suffer the consequences of its depreciation.

1121. The progressive fall in the prices of copper, which commenced to decline since January, 1875, has provoked a general alarm in this important trade, the consequences of which have not delayed in making themselves felt in the production of that metal, already hindered in its march by various other causes.

1122. In the mentioned commercial statistics of the Republic of Chili the following data are found on the exportation of that country:

Exportation of copper from 1868 to 1877.....\$139,969,811.
Exportation of silver from 1868 to 1877..... 26,676,554

1123. The total exportation of Chili in 1876 and 1877 was as follows, taken from the commercial statistics referred to:

	1876.	1877.
Agricultural products.....	\$10,001,551	\$9,139,672
Mining do.....	21,940,167	16,759,070
Manufactures.....	323,540	273,225
Articles, various.....	84,391	56,969
Gold coin.....	1,713,829	5,840
Silver do.....	1,835,989	1,401,807
Bank bills.....	465,534	1,064,891
Articles nationalized.....	1,483,505	1,013,898
	<u>\$37,848,506</u>	<u>\$29,715,372</u>

1124. The population of Chili was, in 1875, according to the last census made in that country, 2,319,266 inhabitants, and taking this number for a basis, it results that there is the proportion of \$12 81 to each inhabitant of the sum of \$29,715,372, to which amounts the exportation of 1877. It will be seen, then, that neither respecting Chili is there complete accuracy in the Report.

1125. The Republics of Rio de la Plata, that is, the Argentine Republic and Paraguay, and even Brazil, have had the great advantage over Mexico of possessing various highways of river communication, which greatly facilitate the extraction of their products.

1126. The Argentine Republic has succeeded in constructing several railroads, which, besides its navigable rivers, puts it in a very advantageous condition for the production of exportable articles. It is the only South American nation that burdens the exportation of its products, and does it by collecting six per cent. on the valuation fixed by law, with which it does not prejudice the production of its exportable articles, because they consist almost entirely in objects of the animal kingdom, which have no competition, and the farming of which has been facilitated extraordinarily.

1127. The present population of the Argentine Republic, according to the almanac referred to, of 1879, is estimated at 2,400,000 inhabitants. There is, consequently, a considerable difference here also in the number fixed by the table of the Report (1,800,000.)

1128. The exportation of that Republic, according to the same almanac of Gotha, was, in the year 1872, \$43,340,000. The last data on exportation are for 1876, in which year it amounted to \$46,535,000, and supposing since there has been no variation in the amount of exportation, it would make the per capita of the present population \$19 39, in place of \$25, as is calculated in the Report.

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1121. Diminution of the production of copper caused by its progressive fall in price.
1122. Exportation of copper and silver from Chili from 1868 to 1877.
1123. Amount of the total exportation of Chili in the years 1876 and 1877.
1124. Rectification of the data of the Report on the exportation of Chili.
1125. Advantage of river communication for Uruguay, the Argentine Republic and Brazil.
1126. Railway lines constructed in the Argentine Republic, and development of its animal wealth.
1127. Difference of the data contained in the Report on population of the Argentine Republic, with those contained in the Gotha Almanac.
1128. Correction of the data of the Report on the exportation of the Argentine Republic.

1129. The principal articles of the exportation carried on by the Argentine Republic in 1876 were:

	Kilogrammes.	Pesos.
Wool.....	89,529,122	19,676,000
Cowhides.....	2,324,866	7,941,000
Sheep hides.....	27,597,973	4,845,000
Horsehides.....	195,868	388,000
Furs.....	.....	360,000
Tallow and grease.....	37,436,333	5,641,000
Horsehair.....	2,074,762	896,000
Salt meat.....	29,543,121	2,016,000
Animals.....	133,913	2,073,000
Ostrich feathers.....	51,075	103,000
Metals and mineral stone.....	.....	188,000
Bones and bone ashes.....	.....	310,000

1130. The Argentine Republic has dedicated special attention to the immigration of families of European agriculturists, dedicating to this object a considerable part of the revenue, and naming national commissions to promote, in the interior of the Republic, the interests of immigration, and to collect information on agriculture and national statistics. It appears to have been comprehended there that, on an increase of production by means of the immigration of families accustomed to labor and a pacific mode of life, depends the aggrandizement of the country, thickly populated up to this time, and the assurance of peace, conquered at so many sacrifices.

f. Uruguay.

1131. The Eastern Republic of Uruguay is in a very advantageous position for exterior commerce, by the navigable rivers which bathe it, and present easy and cheap highways for the extraction of its products, and it has many points of contact with the Argentine Republic.

1132. The Report fixes the exportation of Uruguay at \$16,000,000, and although in some years it has reached this value, and in others exceeded it, in that of 1874 it was \$15,200,000; in 1875, \$12,700,000; in 1876, \$13,700,000; in 1877, \$14,600,000, according to data of the custom-houses set forth in the almanac of Gotha for 1879.

1133. The details of the exportation of Uruguay, for the year 1875, are the following, according to the data published by Sr. Vaillant, chief of the section of general statistics, and which were presented in the last exposition of Paris:

Hides.....	325,000
Sheep skins.....	5,776,000
Wool.....	2,596,000
Horsehair.....	202,000
Tallow.....	912,000
Salt beef.....	157,500
Horns, hoofs, &c.....	342,000
Ostrich feathers.....	61,000
Animals.....	604,000
Preserved meat and extract.....	324,000
Flour.....	14,000
Products, various.....	287,000
Total.....	12,693,000

1134. The population of Uruguay, which the Report fixes at 450,000 inhabitants, the almanac of Gotha estimates at 450,000 for the year 1877.

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- 1129. Notice of the principal articles of export of the Argentine Republic in 1876.
 - 1130. Immigration of European Agricultural families in the Argentine Republic.
 - 1131. Advantageous position of Uruguay on account of its navigable rivers.
 - 1132. Correction of the data of the Report on the exportation of Uruguay.
 - 1133. Detail of the exportation of Uruguay in 1875, amounting to \$12,693,000.
 - 1134. Population of Uruguay in 1877, according to the almanac of Gotha.

g. Brazil.

1135. Brazil has also, besides the great advantages of navigable rivers with which it is endowed, the circumstance that the great majority of its population is situated either on the coast itself, or on the rivers which empty into the Atlantic, or in the vicinity of one or the other, so that it has great facilities for the exportation of its products.

1136. The population of Brazil was, in 1872, according to the census made in the said year, 10,108,291 inhabitants. The well known efforts made by the Government of that country to stimulate immigration must have caused a considerable increase in its population, and it does not appear venturesome to assert that the present number of its inhabitants, calculating that immigration and the natural increase taken place in seven years, exceeds 11,000,000, while the Report fixes it at 10,161,000 inhabitants.

1137. The last data published on the exportation of Brazil, by the almanac of Gotha, which comprises the years of 1874-5 and 1875-6, are the following :

	1874-5.	1875-6.
Coffee.....	125,311,800	116,093,200
Cotton.....	19,905,700	11,463,200
Sugar.....	23,126,500	14,051,300
Paraguay tea.....	1,487,600	1,463,500
Hides.....	12,576,200	11,884,000
Tobacco.....	5,989,000	7,651,500
India rubber.....	10,258,500	10,113,000
Diamonds.....	491,500	752,500
Articles, various.....	9,347,800	10,129,800
Milreis.....	208,494,000	183,602,000

1138. These sums, calculated at the rate of 54.56 cts. in weight for each milrei, as is calculated in the United States, would give \$113,754,326, for the year of 1874-5, and \$100,173,251, for that of 1875-6.

h. General Considerations on the Exportation of South America.

1139. As a general rule the countries of South America have greater facilities than Mexico for exporting their products, either by having better means of communication or by a great part of their population on the coast or near them. The truly exceptional circumstances of Mexico determine, that as long as the extraction of its products is not facilitated by the building of railroads, and a larger number of its inhabitants do not dedicate themselves to the production of those fruits that can support the burden of freight from the interior to the coast, the exportation of its products is made difficult, and it can only avail itself of its mineral wealth to sustain and increase its exterior trade; but while the special circumstances of Mexico are not taken into account, the true cause cannot be known of the limited state of its exportation, and the simple enunciation of this fact, without explaining the causes which lead to it, causes Mexico to be considered as occupying the last place among the nations of the American Continent, in which form the Report presents it.

3. CAUSES OF THE LIMITED EXPORTATION OF MEXICO.

1140. After what has been already set forth on the causes that have prevented the exportation of Mexico from assuming due proportions, in view of the great elements of wealth of this country, it is thought proper to insert here the summary of the said causes already dwelt upon in various passages of this exposition. This is all the more opportune as that generally (and thus does the Report) the limited exportation of Mexico is attributed to very different causes from those which have produced this result.

1141. The causes indicated are, in brief, the following:

1st. The want of water communication, either of rivers, lakes or bays, to facilitate the extraction of Mexican products.

1135. Facility that Brazil has for the exportation of its products by its natural advantages.

1136. Population of Brazil in 1872 and its probable increase during the last years.

1137. Exportation of Brazil in the years of 1874-5 and 1875-6.

1138. Equivalent in dollars of the milreis of the exportation of Brazil in the years of 1874-5 and 1875-6.

1139. Reasons why exportation is easier in South America than in Mexico.

1140. Propriety of making a summary of the causes that have impeded the increase of the exportation of Mexico.

1141. Summary of the causes that have impeded this exportation.

2d. The want of cheap roads, for those in existence present difficulties that raise freight to very heavy sums, and, therefore, impedes the extraction of products, except those of great value and little weight.

3d. The physical configuration of the country, which does not permit the construction of horse or wagon roads or railways, except at great cost.

4th. The want of sufficient capital in the country to construct the railroads necessary to the progress of the nation.

5th. The circumstance that the population is generally disseminated in the higher, cool and temperate districts, and situated generally at some distance from the coast.

6th. The difficulty of populating the coast, from their being generally unhealthy, and great difficulties attaching to the first months of acclimation.

7th. The fact that two-thirds of the present population of Mexico are composed of pure-blooded natives, who neither consume foreign goods nor produce more than is absolutely necessary to satisfy their personal necessities, because of the insufficient remuneration of labor, from reasons that have just been expressed.

8th. The circumstance that the production of the precious metals, which is one of the principal industries of Mexico, has not been able to take upon itself the growth to which it is called, because the legislation in force in the matter of imposts on mining has constituted a great obstacle to the investment of foreign capital in mining enterprises.

9th. The distrust caused to the investing of foreign capital in Mexican enterprises by the erroneous ideas that prevail outside of Mexico, respecting the insecurity believed to exist here, and the dangers which threaten life and property.

4. EFFECT OF THE REVOLUTIONS ON THE EXPORTATIONS OF MEXICO.

1142. The Report attributes to the revolutions and tumults which Mexico has suffered since 1810, all the evils which this nation now experiences, and particularly its poverty and limited exterior commerce. It cannot be ignored that the fact of the revolutions and tumults that have taken place in this country cannot but have influenced, in the state it is at present in, by contributing to prevent, or at least hinder, its material progress; but to attribute to that cause all the evils this nation suffers, and especially its poverty and limited exterior commerce, appears exaggerated, for it is to ignore or to make little of the other causes that have contributed to give this result, and, at the same time, the necessity there has been, up to the present point, for the past revolutions.

1143. The following subjects, then, in relation to the effect of the revolutions on the exportation of Mexico, will be spoken of here:

- A. Object and results of the foreign wars sustained by Mexico since 1810.
- B. Object and results of the civil wars Mexico has suffered since 1822.
- C. The wars and tumults of Mexico cannot be an insuperable barriers to its material progress.

A. Object and Results of the Foreign Wars Sustained by Mexico since 1810.

1144. It is probable that if Mexico had been in a state of peace since 1810, its situation, in point of view of its material progress, would be better than what it now is; but in order to have avoided the war of independence, from 1810 to 1821, it would have been necessary to continue as a Spanish colony, and in this case, independence appears preferable, with all its consequences, and with the evils still felt on account of that war, and of others that took place afterwards, to the material welfare Mexico might have attained in seventy years of peace as a Spanish colony.

1145. To have been at peace after the consummation of independence in 1821, it would have been necessary for it to deliver itself, without resistance, to the forces that the Spanish Government sent to reconquer

1142. The Report ignores the utility of the revolutions which have taken place in Mexico, and the other causes of the bad situation.

1143. Subjects to be treated of in relation to the effect of the revolutions on the exportation of Mexico.

1144. Necessity there was of deferring the material progress of Mexico while its independence was being consolidated.

1145. Impossibility for Mexico to preserve peace after the consummation of its independence.

Mexico in 1829, and which had to capitulate at Tampico. Later, it would have been necessary to submit in the same manner to the French expedition which came to Vera Cruz in 1838.

1146. To have kept at peace since then, it would have been necessary for Mexico to have made no effort to prevent its dismemberment, when the Texan colonies proclaimed their independence, and when, for that very question, this country was invaded by the forces of the United States in 1846-7.

1147. To have enjoyed complete peace since the independence, and particularly during the recent years, it would have been necessary, also, when the Emperor of the French sent his forces to Mexico, in order to establish here an order of things to his caprice, principally with the object of developing plans hostile to the national unity of the United States, to have submitted, without resistance, to that usurpation, for the sake of preserving, above everything, peace and tranquility. The Mexican nation believed it to be its duty to resist that invasion, and the result was a war of seven years, from which it at last came out victorious; but which has been undoubtedly one of the longest, most bloody and ruinous for the country, in point of view of its progress and material prosperity.

B. Object and Results of the Civil Wars which Mexico has Suffered since 1822.

1148. Passing from the foreign to the civil wars that Mexico has sustained since its independence, the same considerations precisely must be borne in mind. If on the termination of the struggle of independence, Mexico had enjoyed absolute peace, it is not only probable, but it is quite certain, that in seventy years of peace this nation would have attained a material prosperity very superior to what it now has; but then, it would not have succeeded in emancipating itself from clerical influence; it would not have been able to establish religious liberty; it would not have been able to conquer the principle of universal free education; it would not have been able to attain the economical reforms it has now conquered, small in number, it is true, but of great importance compared with the principles that prevailed during the domination of the conservative party; it would not have been able to establish the most simple liberty of the press, which it now enjoys; its coasts and frontiers would be closed to foreign immigration, and this country would behold itself deprived of all the principles of civil, political, and religious liberty, and of the social regeneration which it has conquered in its war of reform.

1149. If it is true, then, that the wars, revolutions, and tumults of Mexico have contributed, on the one hand, to retard its material progress, it is none the less true that, on the other, they have removed the principal obstacles there were to this progress, which were of such magnitude that they would have prevented it while they existed.

1150. When the evils are compared, on the one hand, that have brought to Mexico its wars and revolutions, and on the other, the advantages are taken into account which those wars have obtained, there cannot but be found a satisfactory compensation, for the Mexican nation estimates as more than its material progress its independence, its autonomy, its liberties, its institutions, and its social regeneration.

1151. In order to attain in a short time the material progress of Mexico, there is needed the investment of foreign capital in the construction of railroads, and in the working of the elements of wealth of this country. The fact cannot be denied that the wars, revolutions, and tumults that Mexico has suffered, have been till now, and are yet, a great drawback to the obtaining of this result; for the object and result of those wars and revolutions, not being generally comprehended, foreign capitalists fear that the nation may be in a state of social dissolution, and that it would not be prudent, therefore, to invest their capital in Mexican enterprises. Under this aspect, it is evident that the revolutions and tumults suffered in Mexico have greatly retarded its material progress; but if the foreign capitalists understood the true situation of the country, recognizing that the motives for the past wars and tumults have now ceased, and had the confidence proceeding from an exact acquaintance with the facts and present situation of this country, all the inconveniences there are now for the investment of foreign capital in Mexico would cease, and this could be brought about to the great advantage of this country, and almost without any danger for the capitalists.

1152. Even although, which is not to be expected, there should again occur some tumult in Mexico, which

1146. Invasion of Mexico by the forces of the United States in 1846 and 1847.

1147. The French intervention was a new obstacle to the material progress of Mexico.

1148. Beneficial results of the civil war of Mexico.

1149. The wars of Mexico have removed the principal obstacles there have been to its progress.

1150. The independence and liberty conquered by Mexico in its revolutions compensated for the evils caused.

1151. The investment of foreign capital in Mexican enterprises is made difficult by the true situation not being known.

1152. There is no real danger now existing for the investment of foreign capital in Mexico.

in its nature would have to be transient, this would not seriously affect the foreign capital invested here, as will be shown further on by facts that are more convincing than words.

1153. It appears more intellent, and more appropriate to the interests and growth of the exterior commerce of Mexico, and to civilization in general, that, instead of exaggerating the insecurity in Mexico, and representing its revolutions and tumults as a chronic evil, and as an insuperable barrier to the investment of foreign capital here, the origin and object of these revolutions should be shown, the satisfactory termination they have had, and the little or no danger of their repetition ; or, in the unfortunate case that they should be repeated, that they would seriously affect foreign capital invested in this country.

5. PRESENT CONDITION OF THE INDIANS IN MEXICO.

1154. The Reports sets forth that two-thirds of the population of Mexico are Indians ; that in the present sad condition of things they have little employment, so that the majority of them do not work more than half the year ; that the common price of labor, outside of a few cities and centres of industry, does not pass, on an average, twenty-five cents per day, and in many parts does not exceed $12\frac{1}{2}$ cents ; and that, therefore, discounting the idle days and the feast days, the working masses of the people do not receive $12\frac{1}{2}$ cents per day, the necessary consequences being that, with the benign climate and fertile soil of this country, the daily food of beans, tortillas and chile, is bought with a few cents, on which they subsist ordinarily, and with a few yards of "*manta*" they provide themselves with clothes for a year ; not needing, therefore, foreign manufactures to live.

1155. In speaking of the grave subject of the present condition of the indigenous population of Mexico, little comprehended generally abroad, the following points must be examined separately :

- A. The greater part of the indigenous population of Mexico does not now produce exportable effects.
- B. Causes why the Indians of Mexico do not now produce exportable effects.
- C. Means of making the Indians of Mexico producers of exportable effects.

A. The greater part of the Indigenous Population of Mexico does not produce Exportable Effects.

1156. The conceptions of the Report quoted on this point are in general accurate, and they explain precisely the cause of the limited production of exportable articles there is in this country ; for, although the total population is about 9,000,000 inhabitants, the producing and consuming part of them do not pass 3,000,000. For this reason, when the value of the exportation of Mexico is divided among 9,000,000 of inhabitants, it hardly amounts to \$3 19 per capita, and this country appears in one of the last places, as regards its exportation, on the list of civilized nations ; but in reality the \$30,000,000 exported per year ought to be divided among 3,000,000, which is its producing and consuming population.

1157. This very fact, which was referred to in detail in another part of this exposition (paragraphs 204 to 207), is the principal cause of the financial difficulties of Mexico, inasmuch, as has been already shown, whilst the nation has all the necessities of a population of at least 9,000,000, dispersed over a large territorial surface, its contributory population hardly comes to 3,000,000 of inhabitants, thus establishing a disequilibrium, which makes itself greatly felt in the financial operations of the nation.

B. Causes why the Indians do not now produce Exportable Effects.

1158. If the Indians living in the Mexican nation are not now producers, this consists principally in the fact that they have not sufficient incentive to do so, because their labor is not sufficiently remunerative. The value of the grains being relatively low, and not being able to be produced except in small quantities, only low prices can be paid for day labor, and neither can many laborers be employed, so that the necessary consequence of the peculiar circumstances and situation of Mexico must be the lack of work for the great mass of the population, which contributes equally to the low price of labor. But from the moment in which the exportation of certain products should be possible, either by the construction of railways, or by the investment of foreign capital, in ways already shown in this exposition (paragraphs 741, 742, 747, 803, 829, 832, 836 and 837), there would be work for all the major part of the indigenous population of Mexico, and day labor would rise in price ; this larger incentive to the indigenous class to work, and a considerable increase in the production of exportable articles, resulting in the importation of foreign goods.

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- 1153. Propriety of not exaggerating the insecurity in Mexico for the investment of foreign capital.
 - 1154. The Report explains why a great part of the population of Mexico are neither producers nor consumers.
 - 1155. Points that will be examined relative to the present condition of the indigenous population of Mexico.
 - 1156. Proportion between the exportation of Mexico and the producing and consuming part of its population.
 - 1157. Financial difficulties of Mexico by reason of the limited number of its contributing population.
 - 1158. Railways and foreign capital are necessary to increase the producing part of the population.

1159. This, which is the great economic and social problem yet to be solved in Mexico, ought to occupy the attention of all the statesmen of the country, and merits the co-operation of the foreign nations interested for their own convenience in the development of Mexico, and especially the United States, which, by reason of its vicinity and for other reasons, ought to take a larger interest in this development, and consequently try to remove the obstacles which have, up to this time, impeded it, by which the aggrandizement and wealth of this nation will be promoted.

C. Manner of making the Indians of Mexico producers of Exportable Effects.

1160. But although it is a fact that there is now a population in México of about 6,000,000 of inhabitants which can be considered unproductive, by reason of the peculiar circumstances of the country, which have already been expressed in detail in various parts of this exposition (paragraphs 204, 207 and 1083), the other fact ought not to be ignored, that this nation can easily be made productive and consuming, and that in this case the production and wealth of Mexico would greatly increase, for it would have an element which, although it is now in embryo, is more difficult to obtain in other places—population.

1161. To conclude this subject, it will be shown only that what now constitutes a difficulty in Mexico, that is, that the major part of its population is neither producing nor consuming, will be turned into a great advantage in the day that it is possible to work on a great scale its elements of wealth; for then the population which may be considered now dead will come to life suddenly, and the 3,000,000 of producing and consuming inhabitants which this country now has will be quickly converted into 9,000,000, thus giving to this nation a great element of life and prosperity, not obtainable elsewhere, except after the lapse of many years, for in no country, not even in the United States, which, in this respect, present a career of prosperity without example in the world, has its population tripled, except with the lapse of many years. Therefore, the same hindrance which the Report presents for the development of a great commerce in Mexico is converted into an element of life, once being conquered the obstacles already indicated, by means of the building of railroads and the investment of foreign capital in the development of the elements of wealth of Mexico.

1162. Instead of simply enumerating the obstacles which are presented to the growth of the commerce of Mexico, without explaining their causes, and without entering into an examination of the manner of their removal, in order to facilitate the development of this country, it appears it would be more intelligent, more philanthropic, and more appropriate to the interests of commerce in general, to express the causes of these difficulties and indicate their remedy, so that their situation, being comprehended abroad, it might be easier to arrive at a solution of the problem, thereby procuring the growth of commerce in benefit of the civilized world, and at the same time the prosperity of Mexico.

6. CONSUMPTION OF FOREIGN GOODS IN MEXICO.

1163. The Report, after stating that two-thirds of the population of Mexico cannot consume foreign goods, because they hardly receive daily wages, which, on an average, are 12½ cents per day, it indicates that it does not need much ability in calculation to estimate the amount of foreign merchandise consumed by that part of the population, and adds, that there are counties in the States which alone consume more articles of foreign origin than all the Mexican Republic.

1164. In reference to this subject, then, the following points will be spoken of here:

- A. Cause of the limited importation of foreign goods in Mexico.
- B. Comparison of the importation of Mexico with that of other Spanish-American nations.
- C. Comparison of the importation of Mexico with that of the county of New York, in the United States.
- D. Easy method of increasing the importation of foreign effects to Mexico.

A. Cause of the Limited Importation of Foreign Effects to Mexico.

1165. On speaking of this subject, it becomes necessary to repeat what has already been said several times respecting the exportation of Mexico, that in proportion to the number of inhabitants it appears small, but when

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- 1159. The United States are the most interested in effecting the development of the wealth of Mexico.
 - 1160. The unproducing part of the of the population of Mexico can be turned into producers.
 - 1161. The obstacle which exists for the increase of the commerce of Mexico can be turned into an element of life.
 - 1162. Impropriety of enunciating the obstacles to the growth of commerce without indicating their remedy.
 - 1163. Considerations of the Report respecting the limited consumption of foreign merchandise in Mexico.
 - 1164. Points to be considered relative to the present limited importation of Mexico.
 - 1165. Relation between the value of merchandise imported and the consuming part of the population.

it is compared with the number of producers, it is not so much so. An equal thing takes place with importation of foreign goods, which, compared with the number of inhabitants, is little; but not so much so when it is put in relation with the number of consumers.

1166. It has been said (paragraph 802) that Mexico cannot consume foreign merchandise, except to a value equivalent to its exportation, because it cannot pay the amount of the said merchandise, except in articles of exportation. If the exportation is limited, for the reasons that have been already set forth in detail elsewhere (paragraphs 204 and 206), the importation has necessarily to be so also.

B. Comparison of the Importation of Mexico with that of other Spanish-American Nations.

1167. In making a study of the amount of foreign goods consumed by the American nations, and comparing their value with the number of inhabitants each one has, probably Mexico will come out in the last place on the list, especially if its population be taken into account, not by the total number of inhabitants there are in the country, but by the part of them that are consumers of foreign merchandise.

C. Comparison of the Importation of Mexico with that of the County of New York, in the United States.

1168. It is true that some counties of the United States may consume a larger quantity of foreign merchandise than all the Mexican Republic, but this fact, presented in the form in which it appears in the Report, has no other object than to belittle the exterior commerce of Mexico, without doing justice to the circumstances of the country, and without taking into account the considerations worthy of attention, which would modify considerably the sense of the assertion.

1169. The county of New York alone consumes, probably, foreign goods to a larger value than the Mexican Republic, but if it is taken into account that the city and county of New York form the principal commercial centre of the New World, and that there is concentrated, therefore, a large, rich and civilized population, which consumes a large quantity of foreign goods, this will not appear strange. The city and county have a population larger than that of various States of the American Union, and notwithstanding this, in nowise demerit neither the elements of wealth nor the spirit of enterprise, nor the future of those States. The consumption of foreign goods is also larger in the city of New York than that of various American nations, and than that of various States of the North American Confederation, and it does not, therefore, demerit the importance nor the future of those nations nor of those States.

D. Easy mode of increasing the Importation of Foreign Goods to Mexico.

1170. But in this case it becomes necessary to repeat the same considerations which were indicated on speaking of the growth of exportation; that is, that it does not appear just, nor prudent, nor appropriate, to speak only of the limitedness of importation without indicating the simple and easy manner in which this may take a great growth, because so doing must produce the consequence, though the intention may have been quite different, to dishearten all efforts to increase that importation; while it ought to be to the interests of the commercial nations, and particularly of the United States, to do what may depend upon them that the importation of foreign goods to Mexico may take great proportions, and, consequently, to facilitate the means necessary to procure this important result.

1171. So, then, instead of simply indicating the fact that the present importation of Mexico is limited, and that it cannot but continue so while its present circumstances exist, it would be more prudent and more appropriate to the interests of commerce, to indicate the cause of that limited exportation, and to propose the practical method of increasing it to considerable proportions.

7. SUMMARY OF FACTS IN REFERENCE TO THE RESULT OF THE REVOLUTIONS IN MEXICO, IN POINT OF VIEW OF ITS EXTERIOR COMMERCE.

1172. From the facts mentioned up to this point in reference to the result of the revolutions in Mexico, in point of view of its exterior commerce, the following appears to be demonstrated:

1166. Exportation being limited, importation has to be so also.

1167. Consumption of foreign goods in Mexico in comparison with other nations of the continent.

1168. The Report tries to belittle the consumption of Mexico by saying that it is less than that of counties of the United States.

1169. Comparison of the consumption of New York with that of various States of the United States and with other American nations

1170. Propriety of the United States in increasing their trade with Mexico.

1171. It is more prudent to indicate means for increasing the trade with Mexico than to speak of its limited importation.

1172. Summary of facts in relation to the revolutions of Mexico in a commercial point of view.

1st. That although the exportation of Mexico is now very limited, compared with that of other nations, in proportion to the number of inhabitants of each one, this is owing to the peculiar conditions of this country, and particularly to the lack of cheap means of communication, and to the circumstance that the principal part of its population is in the interior, and at a great distance from the coast.

2d. That even though Mexico appears in one of the last places, in point of view of its exportation, among the American nations and countries mentioned in the Report, this consists not so much in the revolutions it has suffered, as it does in the peculiar circumstances which have just been indicated.

3d. That the principal cause of the limited exportation of Mexico is not its revolutions and tumults, but in its physical configuration, its want of roads, and its population being principally in the cold and temperate climates, at some distance from the coast.

4th. That the American nations which are in conditions similar to those of Mexico, like the United States of Colombia, have an exportation as reduced as that of this country.

5th. That the exportations of the American States, like Uruguay, the Argentine Republic, Brazil, are owing principally to the circumstances of having water communications, and that the principal part of their population live on those communications or in places near them.

6th. That although the fact cannot be ignored, that the revolutions occurred in Mexico have contributed somewhat to retard the material progress of this country, they can, in no wise, be considered as the principal cause of its limited exportation, inasmuch as other nations that have also suffered bloody and prolonged revolutions have, in spite of them, a larger exportation than that of Mexico.

7th. That even though the revolutions in Mexico may have retarded somewhat the material progress of the country, they have been necessary to conquer Independence, established reform, and attain the political and social regeneration of this country, without which its material progress would have encountered difficulties almost invincible.

8th. That taking into account the good and bad results of the wars and revolutions occurred in Mexico, the fact cannot be ignored that, with all their inconveniences, they have occasioned great advantages to the nation.

9th. That it is also a fact, that two-thirds of the population of Mexico are pure Indians, who consume and produce little; wherefore, the exportation is limited; but that this is owing to the fact that the peculiar conditions of this country do not permit the production of articles which the indigenous class might cultivate, who live generally in the interior and in cold climates.

10th. That these facts make the producing and exporting population of Mexico to be not really 9,000,000, but 3,000,000 inhabitants, and that the proportion, per capita, is not, therefore, as reduced as it appears in the Report.

11th. That the 6,000,000 of inhabitants who at present are neither producers nor consumers, would turn producers and consumers, to the great profit of the nation, the day that the investment of foreign capital permits the construction of railroads and the working of the elements of wealth of Mexico.

12th. That although the consumption of foreign goods in Mexico is necessarily in relation to the quantity of products the country exports, and therefore its production to each inhabitant is low, it would increase considerably when the building of railways and the investment of capital in Mexico should turn into producers the 6,000,000 of inhabitants who are not such.

13th. That if the present importation of Mexico is limited, considering its population of 9,000,000 of inhabitants, it is not so much so, if it is taken into account that the population consuming foreign goods does not really pass 3,000,000.

14th. That although it is true that Mexico consumes foreign goods to a less amount than the county of New York, in the United States, this cannot belittle the exterior commerce of Mexico, inasmuch as the great mercantile advantages and the accumulation of consuming people in the city of New York causes that it alone consumes foreign goods to a greater value than several of the nations of this continent, and than several of the States of the North American confederation.

15th. That it appears more reasonable, and more appropriate to the interests of civilization, to present the situation of Mexico, such as it is, in order that the proper remedy may be applied, than to exaggerate its dangers and difficulties; for the consequence of this cannot be other than to retard greatly the remedy necessary to promote the increase of the exterior commerce of Mexico, for the profit of the civilized world in general, and of this country in particular.

III. PUBLIC SECURITY, FULFILLMENT OF LAW AND PRESERVATION OF ORDER IN MEXICO.

1173. The Report commences, in speaking of this subject, by recognizing that "in the City of Mexico life is as secure as in Chicago, for there exists a good system of police, and the order and tranquility of its streets can be compared favorably with that of other civilized cities of the world; but it observes that the manufacturer and merchant of Chicago expect to have not only this city, but all the Republic, as a field for their commercial enterprises, and states that he believes it to be his duty to cite some facts that have come to his notice, that are well known in this country, and which demonstrate that ample security of life and property is not enjoyed here outside this capital."

1174. For the purpose of demonstrating this it states that "there is not a single train of passengers from this city to Vera Cruz, the terminus of the only railway finished in the country, that does not go escorted by soldiers to prevent its being assaulted and robbed; that manufacturers who have their factories in the valley and within sight of the city, whenever they send money to pay the wages of their operatives, they send armed people to escort it, and the case has frequently happened, during the last twelve months, that the cars of the horse railway from the city to the suburban towns have been assaulted by band of thieves, robbing the money of the manufacturers; that every mining company that remits its metals to the mints of this city to be coined, or to be sent abroad, accompanies them always with a strong escort of chosen men; and the owners of estates and other persons who send money or valuables outside the city do likewise; but if these things occur near the capital, it is natural to suppose that they take place more frequently in more distant points of the Republic."

1175. It states, in continuation, that "the principal highways over which the lines of stages travel are constantly guarded by armed forces of countrymen and by federal troops; and notwithstanding, robberies are so common that they are seldom spoken of in the press." By way of example, it cites a recent case, relating "that the Consul-General of Belgium, resident in the United States, occupied himself, a few months ago, in a visit of observation throughout the country, by order of his government; that in all his journeyings to the States of the interior he has been provided with a military escort; that, notwithstanding, on crossing one of the richest and most populous States of the Republic, the diligence in which he journeyed was assaulted by a band of mounted, armed banditti; that the escort ran without firing a single shot; that the Consul and his fellow travellers were robbed of the objects of value they carried with them, and of their baggage; that they arrived at the next post without money enough to pay for their food, and they learned that the thieves were a part of the forces that guarded the road; that they had deserted, employing the arms and horses of the Government, to dedicate themselves to a more lucrative occupation, especially in the present penurious state of the public treasury."

1176. As a further proof of the insecurity which, in the conception of the Report, prevails in Mexico, it states that "one of the commercial indications of the insecurity of the communications between the capital and the other cities of the Republic is found in the rates of exchange on the interior, which, according to the last quotation (average rate), are as follows: Chihuahua, 8 to 10 per cent.; Acapulco, Durango, Guadalajara, Zacatecas, Morelia, 5 to 6 per cent.; Leon, Guanajuato, Monterey and Oaxaca, 4 to 5 per cent.; Cuernavaca and Toluca, 2 to 2½ per cent.; Vera Cruz, ½ to 1 per cent."

1177. In order to attenuate the terrible situation in which the Report represents Mexico, it states that "it does not mention these facts by way of reproach to this people, who recognize and lament them more than the foreigners, but to demonstrate the deplorable effect of the revolutions; that it is almost impossible for a government that cannot count upon its stability, and which has to be constantly on the alert for a new revolution which menaces its existence, and with an exhausted treasury, to suppress highway robbery, and the present Government is making greater efforts perhaps than former ones; but it is necessary that this information should come to the knowledge of the foreign merchant, who is seeking to know the state of public security."

1173. The Report asserts that outside of the City of Mexico there is no security for life and property.

1174. Facts which, in the judgment of the Report, demonstrate there is no security in Mexico, especially far from the capital.

1175. Robbery of which the Belgium Consul-General was the victim.

1176. The rate of exchange considered as an indication of the insecurity in Mexico.

1177. Notices that have influenced the Report in the exposition of facts relative to the state of Mexico.

1178. After this the Report refers to the official documents published by the United States Government, in which its representative in Mexico complained of various cases in which it was alleged that citizens of the United States has suffered assaults ; and, lastly, some of these cases are mentioned especially, and with their individual circumstances.

1179. So as to proceed with order in the examination of this important subject, the following points will be considered separately, among which are some not mentioned in the Report :

1. Security in Mexico.
2. Commercial exchange in the interior of Mexico, in view of its security.
- 3 The insecurity there may be in Mexico ought not to be an obstacle to its progress.
4. Security in other countries.
5. Exemption of the citizens of the United States from forced loans and extraordinary taxes.
6. Complaints of the United States Legation, addressed to the Mexican Governments, for assaults suffered by citizens of the United States.
7. Special cases of insecurity mentioned in the Report.
8. Summary of facts in reference to public security, to the fulfillment of the laws, and the preservation of order in Mexico.

1. SECURITY IN MEXICO.

1180. The subject of the want of security for life and property which, in the conception of the Report, is suffered in Mexico, comprises various securities, which must be examined separately, and they are as follows:

- A. Security in the towns and on the roads.
- B. Foreigners have enjoyed security even when their governments have been at war with Mexico.
- C. Security in Mexico, in a religious point of view.

A. Security in the Towns and on the Roads.

1181. In reference to this subject, the Report begins by recognizing that as much security is enjoyed in this capital as in the city of Chicago ; and, although it does not say so clearly, it may be understood from it that there is security, also, in other towns of the Republic, inasmuch as, on speaking of security, it speaks only of the roads.

1182. To prove the conception that there is great insecurity in Mexico, it states that the passenger trains from the city of Vera Cruz always go escorted ; that the manufacturers of the Valley of Mexico carry their money to pay off their hands, with armed men to escort it ; that the cars of the horse railway from the city to the neighboring towns have been assaulted by robbers ; that the mining companies remit their silver to the mint with an escort, the owners of estates doing likewise when they send money or valuables outside of the city ; that the principal highways traveled by the diligences are constantly guarded by forces of countrymen and federal troops ; and that, notwithstanding this, there are cases of assault and robbery, mentioning that suffered recently by the Consul-General of Belgium to the United States, in a journey of inspection he came to Mexico to make.

1183. The best mode of rectifying the preceding conceptions is to insert here a report from the "*Department of Government*," which is that which, according to our laws, has under its charge the rural police and security of the roads, in which explications are made touching the cases mentioned by the Hon. John W. Foster. The report of the "Department of Government" is as follows :

"Department of State and office of 'Government,' Mexico. Section 2d.—I have received your official communication of the 5th instant, in which you are pleased to ask me to rectify the facts asseverated, in regard to public security, by Mr. John W. Foster, Minister Plenipotentiary of the United States, in a Report he addressed to the President of the Manufacturers' Association of Chicago, and, in reply, I have the honor to state to you the following:

"Mr. Foster asserts, in the documents referred to, that :

" 'There is not a single train of passengers from this city to Vera Cruz, terminus of the only railway finished

1178. Allusion of the Report to complaints of the representatives of the United States in Mexico.

1179. Points that will be considered in reference to insecurity in Mexico and in other nations.

1180. Points to be examined in reference to the want of security in Mexico.

1181. The terms of the Report indicates that in speaking of insecurity it refers to the roads.

1182. Facts cited by the Report in support of its appreciations on the insecurity of roads in Mexico.

1183. Report of the Department of Government relative to the points and cases mentioned by Mr. Foster.

in the country, which does not go escorted by soldiers to protect it from being assaulted and robbed. The manufacturers who have their factories in the valley, not far from this city, whenever they send money to pay the wages of their operatives, send armed men to escort it, and the case has frequently happened during the last twelve months that the cars of the horse railroad, from the city to the neighboring towns, have been assaulted by bands of thieves, robbing the money of the manufacturers. Every mining company that remits their metals to the mint of this city for coinage, or to be shipped abroad, always accompany it with a strong escort of chosen men, and the owners of estates and other persons who send valuables outside of the city do likewise. But if these cases occur near the capital, it is natural to suppose that they take place more frequently at points distant from the centre of the Republic.'

"This paragraph comprehends three points:

"1st. 'That there is not a single train on the Vera Cruz Railroad which does not go escorted for its security.'

"The fact is true, but nowise worthy of censure, for, on the contrary, it is the best proof of the care with which the Government endeavors to give guarantees to travelers. Even in the most civilized countries, the public forces watch over the security of the roads, and the way of doing it makes little matter, whether it be by escort or stationed forces, for in both cases it indicates a sad necessity, to wit: that of sheltering individuals from the attacks of evil-doers, who exist not only in Mexico, but in every part of the world.

"Notwithstanding these precautions, the vigilance of the authorities has been sometimes frustrated, and examples could be cited in Spain, as well as even in the United States themselves, of railroads being attacked, which certainly does not argue against the culture and civilization of those nations, for criminals never represents the social state of the countries in which, unfortunately, they are found.

"2d. 'The manufacturers of the Valley of Mexico, whenever they send money to pay the wages of their operatives, send armed people to escort it, and the case has frequently happened, during the last twelve months, that the cars of the horse-railroad, from this city to the neighboring towns, have been assaulted by bands of thieves, robbing the money of the manufacturers.'

"It is very natural that the head of any business should send with his clerks or men, to his factories or estates, the sums necessary for their expenses; although prudence might not require this, yet convenience would always recommend it. These are the 'armed people' to which Mr. Foster refers.

"On the 21st of June, 1877, some banditti attempted to rob a clerk of the *Hacienda* of Coapa, who, accompanied by some men, was conducting money for that estate; but the assaulters, far from having succeeded in the robbery, were apprehended and shot, two of them the following day.

"Respecting the asseveration that 'the case has frequently happened on the railroad going to neighboring towns, that the money of the manufacturers has been robbed,' it is entirely inaccurate in its nature, unless 'frequently' refers to the single instance that has happened, not during the period, not of a year, as Mr. Foster relates, but in the lapse of time since the establishment of the new Administration up to date. In fact, on March 28th, 1877, a train from Tlalpam was assaulted between Mixcoac and Barranca del Muerto, the evil-doers having robbed \$900 belonging to the factory of La Fama; but they have been tenaciously pursued, and the case has not been again repeated.

"3d. 'Mining companies or individuals who send money outside of the city accompany it with strong escorts.'

"It is true that the Company of Mineral del Monte have armed men to escort their valuables, but not because they have them is it to be inferred their necessity, this fact being due rather to an excess of precaution, for if the said company should solicit the protection of the public forces, it would never be denied them.

"Individuals rarely send large sums of money from one point to another by private envoys; they almost always make use of the envoys which go guarded by the corresponding escort.

"It is also said, in the Report of Mr. Foster, that the principal highways traversed by the lines of diligences are constantly guarded by armed forces of countrymen and Federal troops, and that, notwithstanding, *robberies are so common that they are seldom spoken of in the press*. In support of this, a case is cited occurring in one of the States of the Republic, the Belgian Consul-General to the United States having been the victim.

"The insecurity attributed to our roads is too exaggerated, and nothing can authorize the absolute way in which Mr. Foster assures that robberies are so common on the highways that they are seldom spoken of in the press.

"The periodicals, with data not always accurate, inform daily of the police events occurring in the cities, among which may be found some robberies of small sums, and rarely an alarming crime; but on the public highways, for two years past there can hardly be enumerated one case or another among those referred to by Mr.

Foster, the circumstances of which I cannot state, for want of the documents in relation thereto, which ought to be on file in the Government of the State in which they took place.

"In general, the appreciations of the United States Minister, in regard to public insecurity, are rested on one or another isolated fact, happening at long intervals, and there cannot be a motive for any reasonable censure respecting our conditions of security, the more so, if the extent and sparsely populated circumstances of our territory be considered, and the tumults which civil wars bring with them. Even in the absence of these deplorable circumstances, it would be very easy, in respect to any nation, to group within a given period of time the crimes committed within its territory, and in view of them, to make the same censures that Mr. Foster makes respecting Mexico, but there is no one but what would know that such a judgment were but little fitting.

"With what is set forth, I believe to have satisfied the wishes you were pleased to manifest to me in your communication, before mentioned.

"Liberty in the Constitution, Mexico, January 14th, 1879.

(Signed)

"GARCIA.

"So the Secretary of Treasury.—Present."

1184. From the special cases mentioned in the Report, even supposing them to be accurate, a general conclusion ought not to be deduced. If it is true that the Consul of Belgium to United States has been robbed in Mexico, it is not to be inferred from this that all foreigners who come to this country will be robbed in it. For one who may have so, there will be a hundred or a thousand who have suffered no robbery whatever, traveling through unpopulated districts, notwithstanding, and by roads less guarded, than that on which the Belgian Consul-General to the United States was robbed.

1185. Besides, that incident could not have been of much transcendancy, inasmuch as that the Government of King Leopold II. has since taken steps to re-establish the official relations of Belgium with Mexico, which was probably determined after having heard the report of the Belgian Consul-General to the United States respecting Mexico, in view of his recent journey. That report appears to have been very favorable to Mexico.

B. Foreigners have Enjoyed Security even when their Governments have been at War with Mexico.

1186. If there were in Mexico the insecurity which the Report supposes, it is clear that those who would be the most exposed would be the subjects or citizens of the nations that have made war against this country, during that same war, and for some time after its conclusion; but, far from this having been so, it can be assured that Mexico presents a notable example of moderation, and of respect for the lives of foreigners.

1187. The most notable cases, which demonstrate the moderation of Mexico in this respect, are those occurred with the Spanish, the French and the English, which will be spoken of as briefly as possible.

a. Conduct of Mexico Respecting Spanish Subjects.

1188. The Spaniards resident in Mexico during the war of Independence, who opposed this with all their energy, and who observed a sanguinary conduct during the struggle of insurrection, remained, at the conclusion of the war, conquered, and at the discretion of the Mexican Government. It can be assured that, as a general rule, they were the victims of no attack, and continued living peaceably in the country and enjoying their properties. It is true, that their expulsion from Mexico was decreed by the law of December 20th, 1827. It must be borne in mind that all the Spaniards living in it were not expelled by virtue of that law, nor did it come to be decreed, except by reason of the fresh attempts made by the Spanish Government, to recover their dominion in Mexico, which attempts terminated with the invasion of General Barradas, who disembarked at Tampico in 1829.

1189. Mexico did not come to celebrate a treaty of peace with Spain until December 28th, 1836, and, therefore, from the year 1821 to that of 1837, the Spaniards in Mexico remained without being able to count upon the protection of their Government. Notwithstanding this, they were not the victims of any attack, and

1184. From the special cases cited in the Report a general conclusion should not be deduced.

1185. After the robbery of the Belgium Consul. Belgium appears to have decided to re-establish its relations with Mexico.

1186. Respect in Mexico to the life and property of strangers.

1187. Notable cases which demonstrate the respect there is for the life of foreigners in Mexico.

1188. Conduct observed towards the Spaniards after the war of independence.

1189. Security enjoyed by the Spaniards in Mexico before the treaty of peace with Spain.

many of the principal fortunes of the country belong to Spaniards, or to Mexicans, sons of Spaniards, who have inherited them from their fathers. Many Spaniards by birth occupy high positions in the Government, civil as well as military.

b. Conduct of Mexico Respecting French Subjects.

1190. The same thing has taken place with the French. The Government of Louis Phillippe invaded Mexico in 1838, although his invasion was transtory, and did not have the character of a conquest, like that of 1861. The Emperor Napoleon III. conceived later the project of making Mexico a French dependency, and sent, with that object, numerous forces by sea and land, which occupied various parts of the country for seven years, trying to conquer it in behalf of France, and with designs openly hostile to the United States. Notwithstanding the unjust and cruel war which Napoleon III. made upon Mexico, (for he pretended it was not a war made against a foreign nation, and not subject, therefore, to the law of nations; but that it was a struggle against rebels, as he called the Mexicans that were fighting here, according to him, against the government of the country, with which character he wished to invest the authority he pretended to establish in Mexico) the French established in this country have not had to suffer in their lives or in their property.

1191. The war terminated in 1867, and upon the Mexican army occupying the capital, the case did not occur in which a single insult was proffered, nor the demonstration of any act against the French. Twelve years have elapsed since then, and official relations have not been established between Mexico and France. The French have lived without the protection of their government, and, notwithstanding this, they have not suffered any damages in their persons or in their property; and what is more notable, the commerce between France and Mexico, instead of diminishing after the war and the suspension of the said relations, has increased in greater proportion than the commerce between Mexico and the United States.

c. Conduct of Mexico Respecting English Subjects.

1192. The same can be said, although on a smaller scale, respecting the English residents in Mexico. England and Spain took part with France at the beginning of the foreign intervention, signing the treaty of London of October 31st, 1861, to intervene in Mexico, with which object they sent their forces, by land and sea, to this country.

1193. England and Spain retired, however, at the beginning of 1862, comprehending the wild nature of the foreign intervention in Mexico. From Great Britain, then, having taken part in that understanding, it was natural that its subjects should feel and experience to some degree the anger of the Mexican people. Mexico has not re-established its official relations with the English Government, and, notwithstanding this, the English subjects resident in Mexico have not had to suffer in person or in property, and English commerce has sustained itself in the preponderancy given to it by the line of steamers established between Great Britain and Mexican ports.

d. These examples Demonstrate that there is not in Mexico the insecurity which is Supposed.

1194. If the Mexican people have not exercised acts of cruelty against the life, nor arbitrary acts against the property of foreigners, whose governments have made unjust wars upon this country; if, far from this, those wars being hardly terminated, it has thrown a veil over the past, and has considered the subjects of those nations as brethren; if these have been able to remain in Mexico, occupied in their business, prospering in it, and increasing their trade during those wars, and after them, without their governments having re-established official relations with Mexico, it appears quite clear that there is not in this country the insecurity which the Report attributes to it. If the Mexican people had the depraved instincts which would lead them to commit attempts against life and property, it is natural to suppose that they would choose, in preference, for their victims, the subjects of those nations which, by having made unjust and sanguinary wars against Mexico, ought to have the animadversion of the inhabitants of this country.

C. Security in Mexico from a Religious Point of View.

1195. It is not difficult to demonstrate that there is as much security enjoyed in this country, more or less,

1190. In spite of the invasions of 1838 and 1861, have enjoyed the guarantees of life and property.

1191. Since 1867 the French have enjoyed security without the protection of their Government.

1192. The English and Spaniards have not been molested, notwithstanding that their Governments signed the Treaty of London.

1193. Security of English subjects, and increase of commerce with Great Britain.

1194. The subjects of countries that have been at war with the Republic have enjoyed security.

1195. Respecting security, Mexico is not in unexceptionally unfavorable conditions.

as elsewhere, and that, therefore, several of the assertions of the Report respecting this grave subject are entirely without foundation.

1196. In order to make plain, even to the eyes of the most prejudiced persons, the true situation of Mexico, in point of security of life, it is considered opportune to mention an example which is sufficiently eloquent to convince that foreigners resident in Mexico are not exposed to all the perils and misfortunes which are indicated in the Report.

1197. This example refers to the security of life and property by persons who have come to Mexico to propagate a new religion, and on this subject, the following points will be considered :

- a. Religious fanaticism in Mexico up to 1861.
- b. Protestant missions come to Mexico since 1861.
- c. Progress made by those missions.
- d. The Protestants, their adepts and property enjoy security in Mexico.

a. Religious Fanaticism in Mexico up to 1861.

1198. The Mexican nation was for a long time dominated by the Roman Catholic clergy, which came to establish the most absolute fanaticism, and the most complete intolerance. Not only was the exercise of any other religion not the apostolic Roman Catholic not permitted, but for a long time the inquisition prevailed, with all its horrors, and all those not professing the Roman Catholic faith were considered as men without principle or morality.

1199. The exercise of any other worship, and, more still, the propagation of any other religion, except the Roman Catholic, would have occasioned in Mexico up to a little more than twenty years ago, the death of any one attempting to undertake such an enterprise, inasmuch as it was considered an act meritorious to the eyes of the divinity, the extermination of those who pretended to make proselytes in pro of any other religion.

1200. Although the conquests obtained through the war of reform, already spoken of, have affected a notable change in intelligence and public sentiment in this respect, the fact cannot be ignored that fanaticism is not yet extinguished, and particularly in the towns distant from the centres of intelligence, and which the indigenous element predominates.

b. Protestant Missions come to Mexico since 1861.

1201. Notwithstanding this, since the year 1861 missionaries of various Protestant religions have come to establish their worship, and carry on their propaganda, not only in the capital of the Republic and in its principal cities, where there were also great elements in favor of fanaticism, but in the towns of the indigenous population, in the country, and in the very centres where fanaticism has had the greatest dominion for a long time, and where it still exists, although it has lost much of its old power.

1202. These missionaries have established their churches publicly, they have founded their religious worship, they have distributed their Bibles and other books, they have preached their doctrines in public, opened their primary schools and seminaries, established their orphanages, circulated their periodicals and publications, and have, relatively, and in view of the difficulties which they have had to struggle with, good success. and with scarcely any danger.

c. Progress made by Foreign Missions in Mexico.

1203. There are no exact data in this Department, of the progress made in the Republic by those missions, and only in an incidental manner has it been known what two of them have attained up to this time. The first was called *The Mexican Branch of the Church Catholic of Our Lord Jesus Christ*, the existence of which commenced in 1861; already counts upon a church which serves it as a cathedral in the ancient temple of San Francisco, with the churches of San Jose de Gracia and San Antonio Abad; it has fifty congregations

1196. Example that demonstrates that security is enjoyed in Mexico.

1197. Points that will be considered on religious toleration.

1198. Fanaticism in Mexico while the influence of the Roman Catholic clergy prevailed.

1199. Character of the fanaticism up to a little more than 20 years ago.

1200. Although notably decreased, fanaticism has not disappeared altogether.

1201. Since 1861 Protestantism has been successfully carrying on its propaganda.

1202. The Protestant missionaries have developed their work of propaganda with good success and with scarcely any danger.

1203. Without much protection from abroad the "Mexican Branch of the Church Catholic of our Lord Jesus Christ" has prospered.

scattered in different parts of the Republic; orphanages and schools, in which it is sustaining and educating more than 500 children; theological seminaries, in which young men are being educated for the ministry; a weekly periodical entitled *La Verdad* (The Truth), which is its organ, and counts upon more than 3,000 active members. It must be borne in mind that this church is only one of those that work in that sense, and that from the circumstance of having the character of Mexican, it has not counted upon so decided a protection and so efficacious of foreign elements, as the other churches which belong to different Protestant denominations, established in the United States and in England, which, through the desire of propagating their faith in every country, give themselves to expenses and efforts which they would not do in behalf of a new denomination having the character of Mexican.

1204. The second Protestant communion, of which there are data, is the Methodist Episcopal, founded in Mexico by Dr. William Butler, in 1873. It has extended its propaganda in the cities of Mexico, Puebla, Guanajuato, Orizaba, Cordoba, Pachuca, Real del Monte and Amecameca, where it has 21 congregations, and employs 33 missionaries, 19 of whom are foreigners; it sustains a theological seminary, various schools, attended by 518 children of both sexes, and two orphanages; it publishes two periodicals, with a circulation of 3,200 copies, and published, in the year 1878, 830,000 pages of religious literature; it possesses values to the amount of \$75,400, and its expenses for the present year are calculated at \$37,000. The members of this communion number 2,350.

1205. Besides the churches of Jesus and the Methodist Episcopal, other Protestant communities have been establishing themselves since 1861, which are now ramified in towns of the States of Nuevo Leon, San Luis Potosi, Zacatecas, Yucatan, Oaxaca, Jalisco and Mexico, and are denominated, Presbyterian, Baptist, Southern Presbyterian Synod, Mexican Mission of Friends (Quakers), Southern Methodist Mission, Congregationalist, Independent and Presbyterian Reformed, respecting which there are not sufficient data to note with accuracy their present condition.

d. The Protestants, their Adepts and their Property Enjoy Security in Mexico.

1206. The very success which has attended the efforts of Protestant missionaries in Mexico has served to provoke a reaction against them and their doctrines, because intolerance has become greatly alarmed at the progress made by the Protestant element.

1207. Notwithstanding all this, the Protestant missionaries and their adepts live peacefully in the country, not only in the capitals, but in towns of second order, and even in the country, without being molested by any one. It is true that at one time and another there have been disturbances or threatened tumults in some places, and that in some cases persons occupied in the service of Protestant religion have been victims to fanaticism, but these cases have been isolated and exceptional, and of so little transcendence that they can almost be said to have passed unnoticed. When they have presented themselves they have been vigorously repressed by the Government, and when any threatening has been feared the proper measures have been taken, proceeding with all energy and efficacy to prevent the perpetration of any crime, and to give security to the persons threatened.

1208. If this happens in Mexico, touching persons who come to wound the most delicate fibre of man—his religious belief—who do not limit themselves to practising their religion in public, but undertake a veritable work of propaganda, endeavoring to extend their doctrines into every home, even to those of the least intelligence; if it is taken into account that the intelligence of the masses is not yet sufficient to make them respect fully the religious opinions of man, when they are professed in sincerity and good faith, and to leave every one to worship the Divinity according to the dictates of his reason and conscience, it will be easily understood that, far from being any foundation to consider life insecure in this country, it might be maintained that there are not many in which the security is greater. In fact, if the life of man were held at so low an estimate here, it is clear that the consequence of that contempt of human life would fall principally upon those persons who have come to practice and propagate a new religion, attacking the most delicate element of society—its religious belief—and if these persons, without need of escort or armed force, live tranquilly and unmolested in all the cities and villages of the country, and frequent the public highways, it cannot in anywise be said there is no security in it.

2. COMMERCIAL EXCHANGE IN THE INTERIOR OF MEXICO, IN POINT OF SECURITY.

1209. The Report considers, as a commercial indication of the insecurity of the roads, that the drafts on

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- 1204. The Methodist Episcopal Communion has also realized great progress in their propaganda.
 - 1205. Enumeration of other Protestant communities established in the country.
 - 1206. The results obtained by the Protestants have provoked a reaction on the part of Roman Catholicism.
 - 1207. The cases of threatening to Protestants have been exceptional, and repressed by the authorities.
 - 1208. The condition of Protestants in Mexico argues in favor of the security of the country.
 - 1209. Commercial indication which, according to the Report, demonstrates the insecurity of the roads.

divers markets of the country are at a discount in this capital; that for Chihuahua it is from 8 to 10 per cent.; for Acapulco, Guadalajara, Durango, Zacatecas and Morelia, from 5 to 6 per cent.; for Leon, Guanajuato, Monterey and Oaxaca, from 4 to 5 per cent.; for Cuernavaca and Toluca, from 2 to $2\frac{1}{2}$ per cent., and for Vera Cruz, $\frac{1}{2}$ to 1 per cent.

1210. The details the Report gives respecting the rates of exchange are approximately those found in the quotations of the Brokers' Board in their half-monthly list of price current, with the exception of the exchange on Vera Cruz, which, instead of a discount of $\frac{1}{2}$ to 1 per cent., has in this market a premium. But it must be borne in mind that these quotations represent only the exchange the commercial houses dedicated to this class of business exact when they take letters, and that those houses give a much less discount, and sometimes collect a premium, when they are the buyers. This comes, in the first place, from the fact that there are very few houses whose special business is exchange, and there are few transactions of this class; and in the second place, from the distances that intervene between this capital and the markets the Report refers to, which distance in some cases prevents the quick remission of funds in specie.

1211. Besides, the Report appears to have suffered another mistake on this point, for it attributes to the insecurity of the roads the difficulty that exists in communication, when the true cause of this are the inconveniences which long distances occasion, and other motives which have nothing to do with the insecurity of the roads, and which exist everywhere, for there is always a difference in the value of money from market to market.

1212. The city of Chihuahua, for example, is located about 1200 miles from Mexico; to go there passengers from this capital have to employ ten days by diligence as far as Durango, and from there in private carriage or on horseback, ten days more. The communications are therefore difficult, not for the insecurity of the road, but for its length and the lack of conveniences. The trade between both points is done in carts, that employ nearly forty days on the road in dry season, and longer in the wet season. It is not easy, then, to send money from Chihuahua to Mexico at any time and under all circumstances. For this it is necessary to take advantage of some train of carts which do not go every day, and once on the road, it needs a long time to arrive at its destination.

1213. The same can be said of the other towns of Mexico; they are situated at a distance more or less great from the capital; the roads are therefore more or less long and generally difficult, for the want of railways; merchandise is sent very slowly, because they either go in freight carts, which make from 20 to 25 miles per day, or on pack mules, which go even slower. It is not then easy to place funds from one point to another; but this difficulty does not spring precisely from the insecurity of the roads, as the Report indicates, but from the difficulty of communication, occasioned principally by long distances and bad roads.

1214. The best proof that can be presented that it is not the insecurity of the roads that occasions the high exchange between the City of Mexico and other towns of the Republic, is the circumstance that exchange takes place in one sense only, that is to say, to place in Mexico funds that are outside of this capital, which would not be so if the cause of that exchange were the insecurity of the roads. It is clear that if the exchange on Chihuahua is worth 10 per cent., because, on account of the insecurity of the roads, it is dangerous to bring money in coin from that town to this capital, for the same reason it ought to be equally high to send money from this capital to the city of Chihuahua, and it is a fact, that the heavy exchange of which the Report speaks is paid only to place in Mexico money from outside, and not to place money outside of Mexico.

1215. Another proof of this same fact is, what takes place with drafts on Vera Cruz. Instead of discount, they bear a premium, as has already been said, and notwithstanding the road, is easy and secure. This demonstrates that exchange is ruled here by the same causes as in other countries: the demand on one hand, and on the other the cost of sending cash and other mercantile circumstances peculiar to each place, and not on account of the insecurity of the roads.

1216. As a further proof of this assertion, the fact can be cited of the heavy exchange that has been paid in Mexico for placing money abroad, even before the depreciation of silver, notwithstanding that these operations are not affected in any way by the insecurity of the roads of Mexico.

1210. Causes of the high rate of exchange between the centres of population.

1211. Mistake of the Report respecting the difficulty of communication in Mexico.

1212. Difficulties of communication between Mexico and Chihuahua.

1213. Real origin of the difficulties for the placing of funds.

1214. High exchange only takes place in the placing in Mexico of funds from other towns.

1215. Exchange in Mexico is governed by the same causes as in other countries.

1216. Heavy exchange paid in Mexico for placing funds abroad.

3. THE INSECURITY THERE MAY BE IN MEXICO OUGHT NOT TO BE AN OBSTACLE TO ITS PROGRESS.

1217. The Report gives to understand, though it does not clearly say so, that the growth of the exterior commerce of Mexico is not possible, on account of the insecurity which it considers to reign here. On this point great is the contrast there is between the ideas expressed by the Hon. John W. Foster in 1875 and in 1878, and it is to be lamented that these ideas have suffered, in so short a time, a change so complete, and, above all, so unfavorable to Mexico.

1218. In fact, the Hon. John W. Foster said, in the speech he delivered before the New Orleans Chamber of Commerce, October 18th, 1875, with the object of explaining the difficulties with which Mexico struggles, expressing always great hopes for the future, as follows :

“As ought to be expected, it has encountered many obstacles to attaining the tranquil and satisfactory arrangement of its affairs, both public as well as private. It is certainly not at all surprising that its public finances and its industrial and financial interests should stumble against great difficulties. Our own country, which counts upon much greater elements for repairing those evils, after ten years of peace, bitterly experiences yet the consequences of a civil war of short duration. So, then, the prostration of business, and the circumstance that it does not pass right away to a state of great prosperity and development, do not indicate a future without hope for Mexico.”

1219. The comparison of these conceptions, full of hope and of good will, with those of the Report of October 9th, 1878, cannot but leave the painful impression that the ideas of their author have suffered a radical change, which has made him lose almost all hope in the future of Mexico.

1220. In order to consider the various aspects of the question of security in Mexico, as regards its effect on its national progress, the following points will be spoken of here :

A. The wars and tumults suffered by Mexico have not prevented the development, although slow, of its commerce.

B. The wars and tumults suffered by Mexico have not made the establishment and progress of foreign enterprise in Mexico impossible.

C. Not even the want of work for the inhabitants of Mexico has been sufficient to bring about insecurity.

A. The wars and tumults suffered by Mexico have not prevented the Development, although slow, of its Commerce.

1221. The impression which the reading of the Report leaves on an impartial observer, however different may have been its intention, is indisputably that the condition of Mexico is such, that either from lack of means of communication, or from the hostility which is supposed to exist to the building of railways in its territory, to put it into communication with the railway system of the United States, or from the complicated legislation that governs its foreign commerce, or from the heavy local duties imposed by the States, or from all the other expenses foreign merchandise has to disburse in order to arrive at the place of consumption, or finally, from the insecurity prevailing for life and property, especially of foreigners that come to live in the country, that all commerce with it is almost impossible ; and the little that may be done cannot but be rickety and insignificant, and without the probability of acquiring any great increase.

1222. This consequence would be as unjust for Mexico as it is unfounded, and the Report itself cannot but have recognized, for the sake of truth, that the inconveniences presented to the exterior commerce of Mexico can be conquered, and that the Spaniards and the Germans have been able to increase them and to prosper.

1223. In fact, the Report says, in reference to this point, as follows :

“The import trade is principally in the hands of Germans and Spaniards, especially the former. The latter have the great advantage of speaking the language, and of being of the same race as the predominating element of the country. But the Germans have gained honorably their advantages by many years of patience and study of the country, and by their persevering dedication to business.

“The merchants of Hamburg establish branch houses at various points in Mexico, and send to them young

1217. Change of ideas of Hon. John W. Foster respecting the possibility of the growth of the exterior commerce of Mexico.

1218. Fragment of the speech delivered by the Hon. John W. Foster, at New Orleans, in October, 1875.

1219. Contrast between the hopes manifested by the same in 1875, and the conceptions of the Report.

1220. Points to be considered on treating of the questions of security in Mexico.

1221. Unfavorable impression made on the impartial observer by reading of the Report.

1222. The Report itself recognizes that the obstacles to the exterior commerce of Mexico can be overcome.

1223. Fragment of the Report in which it is shown that the Spaniards and Germans prosper in the commerce of Mexico.

men educated on purpose to serve them, and they acquire experience in business, and afterwards assume the management of those houses. They come to familiarize themselves with the conditions and practices of the country, and they overcome the complications of the tariff and the interior duties.

"The revolutions and changes of government do not affect their tranquility. They accustom themselves to the forced laws and extraordinary taxes. In spite of the irregularities which the employees of the custom-house commit, and the embarrassments produced by contraband, they preserve their imperturbable march, and generally, though not always, at maturity or in old age, they find themselves in a condition to return to Germany with capital. If the American merchants are disposed to follow the same system, and to subject themselves to the same inconveniences, I do not doubt they will prosper equally, though I have already indicated some advantages they are possessed of."

1224. This frank and sincere exposition of facts, exact and patent to all who live in Mexico, comes to be the most conclusive reply that could be given to all the difficulties presented in the Report to the increase of commerce in Mexico. Coming down to the commerce between Mexico and the United States, which has been the principal object of the Report, and the only one of this exposition, it is proper to observe that if the Spaniards and Germans, by their study and perseverance, by their knowledge of the legislation and circumstances of the country, can establish themselves in Mexico, carry on a lucrative trade and retire to their country with a fortune, it cannot be maintained that the citizens of the United States cannot do likewise, except in the case of recognizing in the Spaniards and Germans a certain mercantile superiority over the North American merchants.

1225. If there is any nation that can carry on commerce successfully with Mexico, it is clear that the want of roads, favorable conditions for the building of railroads, the vulgar prejudice there may be respecting this, the high import duties, the complicated fiscal legislation, the trammels imposed by the States on foreign commerce, the exorbitant expense on foreign goods, the insecurity of life and property, and all the other circumstances mentioned in detail in the Report, giving them a character that may be considered as highly exaggerated, are not enough to prevent foreign commerce from being carried on with advantage to the foreigners engaged in it. If the Spaniards and Germans can do it successfully and to their own profit, it cannot be understood why the same thing cannot be done by citizens of the United States, which is a mercantile nation, occupying one of the first places in the civilized world.

1226. If it be desired to promote commerce between Mexico and the United States, it appears to be more appropriate to the realization of that object, instead of exaggerating the difficulties presented and the obstacles there are to overcome, presenting them as almost inseparable, to indicate the easy and simple mode in which others have succeeded in conquering those obstacles, and carrying on a lucrative commerce in Mexico, in order that the citizens of the United States may avail themselves of that experience to the great advantage of themselves and their country. The passing allusion made by the Report to the commerce carried on in Mexico by the Spaniards and Germans, cannot but be a tribute to the truth, and a recognition of evident facts, which cannot be denied by any one who has any acquaintance with the circumstances of this country.

1227. It is in order to call to notice a special circumstance that occurs respecting the Germans living in Mexico, and that is, that their representations have never presented any diplomatic claims for damages suffered in that country to person or property, which contrast greatly with the conduct observed in this respect by foreigners of other nationalities, and their respective legations accredited to the Mexican Government. It is not probable but that the Germans have suffered sometimes in their persons or in their property on account of the tumults occurred in Mexico; but in a commercial point of view they considered it more appropriate to obtain reparation of those damages in the form established by the legislation of the country, and as the Mexicans obtain it, than by the way of diplomatic and international methods. It is told that a German resident in Mexico having presented once some claim, the Prince of Bismarck refused it, saying, that he that lives in a country ought to submit to its conditions. Perhaps an impartial observer may find in this circumstance the explication of one of the reasons that have contributed to give to the Germans the mercantile preponderance they now have in Mexico over the subjects of other nations that carry on trade with this country.

B. The Wars and Tumults Suffered by Mexico has not made the Establishment and Progress of Foreign Enterprises in the Country Impossible.

1228. If the wars and tumults suffered by Mexico had established in the country a state of insecurity, such

1224. Only a lesser mercantile ability would cause the citizens of the United States not to prosper in Mexico

1225. The United States occupy one of the first places as a mercantile nation.

1226. Propriety of indicating the mode of overcoming the obstacles that exist to the commerce between the United States and Mexico.

1227. Abstaining of the German merchants from diplomatic claims, and their progress in the commerce of Mexico

1228. If insecurity were as the Report presents it, Mexico would be in a worse condition than before the independence.

as not to permit the development of commerce or the material progress of the nation, the natural consequence of this state of things would be a *statu quo* in Mexico, since the proclamation of Independence, and as a nation that stops in its material progress, retrocedes, relatively, to others, the situation of Mexico would be now inferior to what it was, even during the Colonial regimen.

1229. This, far from being so, the Mexican nation has progressed, though, unfortunately, not in the same proportion as others, or, as might be expected, taking into account its elements of wealth; but the fact cannot be ignored, that it has succeeded in progressing, and this fact is the clearest demonstration that can be presented, that the wars and revolutions it has suffered has not determined a state of insecurity such as to prevent all progress.

1230. It would be necessary to very much extend this exposition, and even to disregard its principal object, to relate all the mercantile and material progress that Mexico has attained since it is an independent nation. Besides, many of them, such as the construction of the Vera Cruz railway, for example, the lines of steamers that frequent its ports and others, are so potent, that they are known to every one; and, on the other hand, they have already been spoken of in detail, in this same exposition.

1231. But there are, still, other undeniable facts, and which would be sufficient to remove all fear, even in case that Mexico should again suffer some interior war or tumult. These facts are, that in the wars and tumults occurred in Mexico since the independence, mercantile enterprises or foreign capital, come to Mexico, have not had to suffer seriously or grievously, wherefore, it is natural to expect, that if any new tumult occurred, neither would they have to especially suffer. Not to make a long enumeration of the enterprises which represent a considerable capital, and which are, in this case, mention will be made only of the Vera Cruz railway, the General Stage Company, and the Company of Real del Monte.

1232. The railway from Vera Cruz to Mexico commenced to build in 1842, and, notwithstanding, all the changes, wars, revolutions and tumults occurred since then, the work was able to be carried out, without the political events having any more influence on its construction than that the constructing company obtained, at each change, more favorable conditions for their interests. In fact, in examining the various concessions which the constructing company of this railway obtained, which are enumerated in another part of this exposition, it is noticed that each new concession was more favorable than the preceding one. On the other hand, the Mexico and Vera Cruz railway was finished towards the end of 1872, and since 1871 two revolutions have taken place in Mexico, those of La Noria and Tuxtepec, without the Vera Cruz Railway Company having suffered grievously by any of them.

1233. The case of the General Stage Company of the Republic, established since the year 1830, is still more notable, for it has put the principal cities of the Republic into communication with each other, by means of a regular line of carriages, and their carriages are constantly on the roads. In spite of the insecurity of these and of all the disadvantages of Mexico, the Stage Company has prospered in a notable manner, and it can be assured that it is one of the most lucrative enterprises there has been in the country.

1234. The same can be said of the Mining Company of Real del Monte, which was organized with foreign capital; it has existed a great many years; it has obtained large profits, and the wars, revolutions and tumults occurred in Mexico have not been sufficient to ruin it or to stop its progress.

1235. If those who have come to propagate religious ideas repugnant to the most deeply-rooted belief of this country have found in it security, is it even presumable that those who do not come with the idea of religious propagation, but who bring their capital to invest it in lucrative enterprises, which serve to develop the elements of wealth of the country, giving occupation to needy people, and bettering the condition of the poor classes of society, would encounter resistance and persecution, or be in danger of their lives? The most eloquent answer that can be given is, to present the Protestant religious congregations established in this country and enjoying ample security.

1229. Mexico has progressed, although not in the proportion that might be expected.

1230. Material and mercantile progress of Mexico since it is an independent nation.

1231. Mercantile enterprises have not suffered seriously on account of the wars and tumults taken place in Mexico.

1232. Advantages obtained, instead of serious damages, by the Vera Cruz Railway Company in each political change.

1233. The General Stage Company of the Republic established in 1830 has prospered.

1234. The Mining Company of Real del Monte has progressed equally, notwithstanding the political commotions.

1235. The security enjoyed by the Protestants proves that there is no danger for the investment of foreign capital.

1236. But even though this were not so, and even if, unfortunately, new disturbances should occur in Mexico, they would not prejudice the enterprise or capitals invested in the country, and if this situation were generally known abroad, the principal difficulties would cease, which there now are to the investment of foreign capital in Mexico.

C. The Wars and Tumults suffered by other Nations have Abridged their Development and Material Progress.

1237. Although it is a fact about which there can be no doubt, that the political disturbances of a country contribute, in a great measure, to retard or diminish its material progress and mercantile movements, two important considerations must be borne in mind respecting this subject; first, that those tumults and revolutions are indispensable in certain cases, to promote the material progress of a country, for they remove difficulties almost insuperable in the way of the attainment of that object; and second, that those tumults and revolutions alone, in themselves, are not sufficient to destroy or indefinitely retard the material progress of a nation.

1238. In fact, in certain cases, revolutions with their consequent disturbances, are absolutely necessary to conquer great obstacles, which the nations find to their progressive march, in vicious systems of government, or other causes. Among these obstacles, and meriting particular mention, are the monopolies, or other privileges, established in favor of certain classes of society, to the injury of the great majority of the people; their abolition is altogether necessary, if it is desired to promote the advancement of the nation, and it cannot be said that the sacrifices that have to be made to obtain that abolition are not necessary, nor that those sacrifices put back material progress.

1239. In fact, France suffered grave disturbances during the latter years of the past century, and in the first years of the present one; but after those disturbances it arose more powerful and with more life than it had before. The United States suffered, also, a great commotion in the consummation of their independence from England, and after that commotion they arose more powerful than before, and without the trammels which the character of a British colony imposed upon them. In 1861 they sustained a colossal struggle which lasted four years, with the Southern States, which caused the destruction of much property and the spilling of much blood, and other disturbances of a grave character; but after that memorable struggle they have been more powerful and more prosperous than ever, commanding the admiration of the world for their progress and development.

1240. The Island of Cuba sustained a struggle for ten years in which there was proclaimed nothing less than the holy principles of independence and the abolition of slavery, and in spite of the disastrous character of that contest, it did not sensibly diminish commerce, nor the production of that privileged Island; and after the termination of that war, far from showing this result, it has recuperated, in a very short time, from the evils suffered from the war, and it is natural to suppose that its prosperity is still in progress.

1241. A similar thing has taken place, and has to take place in Mexico; the struggles which this country has sustained, first against the Metropolis, and then against fanaticism and retrogression, have resulted in removing the principal causes that impeded the progress of the nation, and that result is in itself of much value, and a great step on the road of progress.

1242. If the wars and tumults occurred in other countries have not established in them a state of insecurity such as to ruin their commerce, and have not even served as a barrier to prevent their progress, it does not appear that there is any reason for their producing this result in Mexico, and when they have not given this result in other countries under circumstances similar to those of this, as are almost all the Spanish American Republics, whose mercantile progress appears in the table of exportations inserted in the Report.

D. Not even the lack of Work for the Inhabitants of Mexico has Established Insecurity.

1243. The peculiar circumstances of Mexico, which have been related in detail in various passages of this exposition, cause that frequently, not only the indigenous portion of its inhabitants, but even those of European origin and of the mixed race, are found without any occupation to give them an honest means of livelihood.

1236. Acquaintance with the situation of Mexico will cause the difficulties for the investment of foreign capital in Mexico to cease.

1237. Revolutions do not indefinitely impede material progress, and at times they are indispensable.

1238. The sacrifices of revolutions are necessary to remove the obstacles to material progress.

1239. Increase of prosperity in France and in the United States after their political commotions.

1240. The Island of Cuba has not suffered seriously during the struggle it sustained to gain its independence.

1241. The revolutions in Mexico have removed the causes which prevented its progress.

1242. It must not be supposed that Mexico does not progress as other nations which have been in analogous circumstances.

1243. Lack of work in Mexico,

1244. In fact, the production of articles for the interior consumption of the country must be necessarily limited, because the indigenous population that form almost two-thirds of the nation, produce themselves the articles they consume. The production of exportable effects is also very limited, from the causes which have been already set forth in detail, and all this causes that there is no occupation for a large number of the people of the country from the lack of business in which to employ their activity.

1245. The consequence of this state of things is, that there are a considerable number of people without employment, and not having any honest means of livelihood, they are disposed to take part in whatever illegal enterprise, in order to procure themselves the necessities of life.

1246. Taking these circumstances into consideration, what calls attention greatly in Mexico, are not the few cases of robbery and attempts against property which take place, but, that these are not more frequent and alarming, causing in consequence a complete and absolute insecurity in the country.

1247. These considerations demonstrate with all clearness, that when, by the building of railroads, and the investment of foreign capital in Mexico, it is possible to develop the elements of wealth in this country, and to give lucrative occupation to the people living in it, all danger will cease of insecurity, or of any rising against the constituted authorities, for the principal cause of the greater part of the crimes of this kind that take place, is the want of honest and productive labor to afford means of subsistence to a considerable portion of the inhabitants of Mexico, and also, that the development of elements of wealth of the nation being once consumed, all of its inhabitants will find labor, which will give them the means of living easily and honestly, instead of the dangers and inconveniences attaching to a career of crime.

1248. In examining the question from this point of view, it appears that even though the insecurity of Mexico were as great as the Report represents it to be, that is to say, were complete and absolute, far from its preventing the immigration of foreign capital and enterprises, the best remedy against this greivous and serious evil would be precisely the investing of foreign capital in developing the elements of wealth of this country.

4. SECURITY IN OTHER COUNTRIES.

1249. The assertions of the Report respecting the cases of insecurity in Mexico, suffer all of them from the logical vice of deducing general consequences, from individual and isolated facts. With this system of reasoning, it would be easy to prove that there is insecurity in every nation on the earth, because, in all of them crimes are committed against persons and property.

1250. It is proper to remember, that cases of robbery are general in all countries, and that Mexico is not the only one that is subject to them; and it cannot even be maintained that they are more frequent here than in other places. The human species has not yet arrived at the perfection of repressing completely all crime. There are bad men everywhere, who, through passions they cannot control, from evil instincts, from ignorance, and at times, even from necessity, rush into a career of crime, and a special charge cannot be made against any nation, that it has not foresight or force sufficient to prevent crime completely. If then, Mexico as in the case of all other nations, and the crimes committed here are more or less the same as those committed in every part of the civilized world, it does not appear prudent to exaggerate them, nor to represent them as the principal obstacle to the development of this country.

1251. For every crime against life or property occurred in Mexico, a greater number of similar cases that have taken place in the United States could be cited, and this is not strange, for in proportion as the population of a country is larger, it appears that its criminal record must be larger also. Moreover, horrible crimes have been committed in the United States, some of which have not even passed through the imagination of the wickedest men in Mexico, such as the robbery of the remains of the philanthropic capitalist, A. T. Stewart, in order to get a ransom for them.

1252. This exposition would cease to have that conciliatory and friendly character towards the United States,

1244. Causes of the lack of work in Mexico.

1245. Dangers originating from the lack of work in Mexico.

1246. In view of the situation of Mexico, it is to be noted that there is not entire insecurity.

1247. Efficacious corrections against insecurity.

1248. The investment of foreign capital is the best means of establishing security.

1249. Vicious logic affecting the asseverations of the Report.

1250. Mexico is not in exceptional conditions of insecurity.

1251. More attempts have been committed in the United States against life and property than in Mexico.

1252. It would not be sensible to attribute insecurity to the United States on the ground that crimes are committed there.

which every effort has been made to give it if it should enter into further considerations and details on those crimes; wherefore, it is considered sufficient to say that they have been committed, and that particularly those committed against property are frequent, without any sensible man having therefore ground for believing that in the United States there is insecurity for life or property.

1253. From what has been set forth, it will be comprehended that it would be highly unjust, because some crimes have been committed in the United States, to represent that neighboring nation as a country in which no security is enjoyed, and because some persons have been victims of crimes committed against their life or their property. No other than this the Report does, respecting Mexico, upon deducing from special and isolated facts, general consequences, which are as unjust towards this country as inconvenient for the development of its exterior commerce.

1254. In nations whose civilization and progress enable them to be presented as a model of security for life and property, crimes are frequently committed that move humanity by their horrors and the depravity of the criminals. London and Paris have been the theatre of some of these horrible crimes. It would be necessary to very much extend the limits of this work, and distract it from its object, if we were to stop to enumerate some of these crimes, far greater in evil and horror than those which have been committed in Mexico; and, notwithstanding, no one attributes to France or England insecurity for life and property.

1255. What has injured Mexico in this matter is, the exaggerated idea which prevails abroad respecting its security, for it is generally believed that no one can go out upon a road without being assaulted and robbed, and that this danger is run in the streets of the principal towns, and even within the very houses. It might be considered as a duty to justice, instead of giving pabulum to those errors by exaggerating the insecurity of Mexico, to rectify the wild ideas that prevail respecting this abroad, and to manifest dispassionately what really takes place in the country.

5. EXEMPTION OF CITIZENS OF THE UNITED STATES FROM FORCED LOANS AND EXTRAORDINARY TAXES.

1256. The Report says, in reference to this point, as follows:

"It is proper, however, to set forth here, that although the Supreme Court has most explicitly declared that the forced loans, and all the other military and executive imposts, are contrary to the Constitution, and illegal even in time of war, the Mexican Government has declined imperatively to agree to any treaty stipulation, or to make any declaration or arrangement to exempt residents in the country from those irregular and unjust exactions."

1257. The preceding conceptions comprehended various questions of great public interest, the principal being the following, which will be considered separately:

- A. Legality of the imposts decreed by the Executive, in the exercise of powers extraordinary.
- B. Actions of the Supreme Court on this subject.
- C. Practices and provisions of the laws of the United States respecting the same matter.
- D. Reasons why Mexico has not been able to agree to a treaty excepting the citizens of the United States from extraordinary taxes.

A. Legality of the Imposts Decreed by the Executive in exercise of Powers Extraordinary.

1258. In Mexico, as in all countries governed by a written constitution, upon putting this in practice, and in the first years of its observance, important questions arose on the meaning and application of various of its precepts, believing to find in them contradictory provisions. This is precisely what has passed on the point relative to the imposts decreed by the President of the Republic, in exercise of powers extraordinary.

1259. Article 50 of the Mexican Constitution determines, that no two or more powers shall be joined in one, nor shall the Legislative Power be deposited in one person only, and the text of this Article has served as a ground for political parties to contend, that the President of the Republic can in no case legislate, and, therefore, cannot impose taxes. This meaning of the Constitutional precept, which has, generally, been presented as a

1253. The Report deduces general consequences from isolated facts.

1254. Conditions of insecurity are not attributed to France and England, notwithstanding crimes are committed there.

1255. It is due to justice to rectify the opinion generalized abroad on the insecurity in Mexico.

1256. Fragment of the Report on forced loans and executive imposts.

1257. Questions of public interest comprised in the conceptions of the Report on executive imposts.

1258. Questions raised in Mexico on the meaning of constitutional articles.

1259. Erroneous meaning wished to be given to Article 50 of the Constitution.

political arm, wielded, by the opposition, when, by the abnormal circumstances of the country it has been necessary, to invest the Executive with powers extraordinary, is entirely unsustainable before Article 29 of the Constitution, and so all the parties have practically acknowledged.

1260. In fact, the Constitution, foreseeing the case of foreign war, or of grave interior disturbance, in which it might be necessary to decree measures indispensable for the defence of the country and the salvation of its dearest interests, it determined, in Article 29, that in case of war, interior disturbance, or any other grave perturbation of public peace, the President might suspend, with the consent of the Council of Secretaries of State, and with the approbation of the General Congress, and in its recess of the Permanent Deputation, the guarantees granted in the Constitution, excepting only those which secure the life of man, and that Congress might grant to the Executive the authorizations it should esteem necessary to face the situation.

1261. This Article clearly authorizes the delegation, in extraordinary circumstances, and for a limited time, of legislative faculties to the Executive Power, in exceptional cases, and, particularly when the circumstances of the country do not permit the meeting of Congress. The wisdom and foresight of this precept have already been practically demonstrated in Mexico, during the wars of Reform and of Intervention. In neither of these epochs could Congress assemble for a relatively long period of time, and if the Executive had not been able to sustain the war, which was impossible without resources, the country would have been delivered up, with hands tied, first to the Conservative party, which rebelled against the same Constitution in 1857; and, afterwards, to the Emperor of the French, submitting itself to his dominion in Mexico, and losing its independence. The nation was able to overcome those grave perils, and the Constitution was able to recover its empire, thanks to the foresight of Article 29, which authorized the delegation of legislative powers to the President of the Republic.

1262. What Article 50 of the Constitution prohibits, is, the permanent and normal joining of two or more powers in one only, or the deposit permanent and normal, also, of the Legislative Power in one person only; but that Code does not prohibit it, but, on the contrary, expressly authorizes in Article 29, the exercise by the President of the Republic, with the previous authorization of Congress, of legislative powers, for a grave motive, in abnormal circumstances, for a limited time, and with the obligation to make account to Congress of the use made of the powers conceded to him.

B. Actions of the Court of Justice on this Point.

1263. The Report states that the Court of Justice has declared, in the most explicit manner, that the forced loans and all the other imposts decreed by the Executive Power, are contrary to the Constitution, and illegal even in time of war.

1264. It is true, that in some case, the Supreme Court of Justice has made this declaration; but it must be borne in mind, that according to the express tenor of Article 102 of the Constitution, all judgments of relief (*juicios de amparo*), to which category the one belongs that was instituted in the case referred to by the Report, have to be decided by a sentence which only has to do with particular individuals, "limiting itself to protecting and relieving them, in the special cases on which the process turns, without making any general declaration respecting the law or act, which gives rise to it," and that, therefore, the declaration of the Court of Justice, in a special case, cannot affect in any way the legitimacy or force of a law, or of administrative provisions.

1265. These considerations become more forcible when it is borne in mind that the determinations of the Court on this point have not been uniform, for although it be true that in one case, that of the judgment of relief, moved for by Sr. Faustino Goribar against the extraordinary tax decreed by the President of the Republic, in the exercise of powers extraordinary, on July 19th, 1876, the Supreme Court decided in its sentence of July 6th, 1877, to relieve the plaintiff against the said law, and among other considerations, there figures in the sentence the assertion that the delegation of powers extraordinary to the Executive is not legitimate, in other similar cases, such as that for relief, moved for the same cause and against the same law by Srs. Guadalupe Bros, the Court denied the relief in its sentence of November 13th, 1876, on the ground that the provisions of a legislative character are legitimate, which the Executive issues in the exercise of powers extraordinary.

1266. If all the actions of the Supreme Court were uniform in the sense the Report indicates, the uncon-

1260. Article 29 of the Constitution authorizes in certain cases the delegation of legislative faculties to the Executive.

1261. Wisdom and foresight of this article.

1262. Prohibition which Article 50 of the Mexican Constitution contains.

1263. The Report asserts that the Supreme Court has declared the imposts decreed by the Executive to be illegal.

1264. The declaration of the Court in a special case cannot effect the legitimacy of the dispositions of the Executive.

1265. The determinations of the Court on this point have not been uniform.

1266. The actions of the Court cannot be a foundation for the opinion of the Report from their being contradictory.

stitutionality of the imposts decreed by the Executive in the exercise of powers extraordinary might be sustained with some ground, notwithstanding that the express and absolute prohibition of Article 102 of the Constitution, that the sentences of the Court shall be limited to protecting and relieving individuals in the special cases on which the process turns, without making any general declaration respecting the law or act which gives rise to the sentence; but when those actions are in contradiction to each other, the opinion manifested in the Report cannot be considered to have any foundation. If the case is presented of an action of the Court in the sense of the Report, various others can be presented in a contrary sense, which in themselves alone, and prescindng Article 102 of the Constitution would come to destroy, even in fact, all basis for an opinion founded on the first action.

1267. Respecting this subject it is proper to set forth the report given to this Department by that of Justice, because it brings out with all clearness the circumstances of the case cited in the Report:

“Department of Justice and Public Instruction.—Section 1st.—In reply to the communication of that Department of January 5th, in which it is pleased to ask an accleration on the point treated of in the Report of Mr. Foster, Minister of the United States of America, paragraph 104, and referring to the declarations made by the Supreme Court of Justice on the illegality and unconstitutionality of the forced loans and executive imposts, I have the honor to say, that in abnormal circumstances and in case of grave perturbation of public tranquility, Article 29 of the Constitution prescribes, that individual guarantees may be suspended with the exception of those which secure the life of man; and the Legislature may concede to the Executive the authorizations it may esteem necessary to enable the latter to face the situation. That in view of this precept, the legality of executive imposts is beyond all doubt, notwithstanding any decision of the Court, to make declarations of a general character, nor to establish jurisprudence in its decisions, and cannot serve as a legal precedent for other analogous cases. Such is the special temper of the ‘Action of relief’ provided in Articles 101 and 102 of the Constitution, and embodied in the law of January 20th, 1869.

“The Supreme Court of Justice has not communicated to this Department any of those declarations to which the Minister of the United States refers; and knowledge is had only of the one relative to the relief moved for by Sr. Goribar, from the imposition taxes which the Government imposed, with powers extraordinary, by virtue of the authorization of the Legislature. And by order of the President of the Republic himself, I communicate it to you, as an accleration of the point on which you were pleased to consult me in the before-mentioned communication.

“Liberty in the Constitution, Mexico, Jan. 14th, 1879. P. Gagle. To the Secretary of the Treasury, Present.”

C. Practice and Provisions of the Laws of the United States on the same Point.

1268. The Constitution of the United States has no provision like that of Article 29 of ours, that is, which authorized the delegation of legislative powers to the President in certain cases, and notwithstanding, when that nation has been in a grave conflict, it has established, in fact, the same thing that has been authorized in Mexico by an express provision of our fundamental Code. The only provision of the North American Constitution, similar to that of Article 29 of ours, is that of Section 9th of Article 1st, which establishes that the right of *habeas corpus*, in cases of rebellion or invasion, but it does not determine who ought to decree the suspension. In spite of this, President Lincoln, at the commencement of the war with the South, in March, 1861, decreed by himself the suspension of the *habeas corpus*, and authorized General Scott to suspend it in certain districts.

1269. There are other facts still more eloquent in the same sense. After the breaking out of the war between the Southern States and the Federal Government, President Lincoln declared, in a Proclamation dated April 19th, 1861, the state of war with the Southern States, which belonged, according to Article 1st, Section 8th, Paragraph 11th of the United States Constitution, to the General Congress; and in another proclamation, of the 27th of the same month of April, the President established a blockade of all the ports of the rebellious States, which was also an attribute of the General Congress. The Thirty-seventh Congress did not consider these acts unconstitutional, but, on the contrary, sanctioned them, determining, in its law of August 6th, 1861, that all the acts, proclamations, and orders of the President of the United States, issued since the 4th of March, 1861, to the army and marine, calling for militia, etc., were, in all respects, approved, legalized, and made valid, and of the same effect as if issued and executed under the previous and express authorization of the Congress of the United States, whereby Congress came to give legislative powers to the President, in a retroactive manner.

1267. Note of the Department of Justice on the case cited by the Report.

1268. In the United States the suspension of the *habeas corpus* act, has been decreed extra-constitutionally.

1269. Extra-constitutional measures of President Lincoln approved by the Congress of the United States.

1270. After that, President Lincoln, in exercise of the powers of war, and in an extra-constitutional way restricted the liberty of the press, and took possession of telegraphic messages, in order to discover Confederate sympathizers. On the assembling of the Congress of December, 1862, this subject was discussed at length, and the law of March 3d, 1863, was issued, which granted the President power to suspend the right of *habeas corpus* whenever, in his judgment, public security should require it.

1271. On March 2d, 1867, the United States Congress issued still another law by which were ratified and legitimized all the preceding extra constitutional acts of the President, and not only were these ratified and approved, but it was determined that no tribunal of the United States might withhold the recognition of affairs taken place by virtue of these acts of the President.

1272. On January 1st, 1863, President Lincoln issued a proclamation, decreeing the emancipation of the slaves in the Confederate States. It must be borne in mind that according to the Constitution of the United States not even Congress itself could decree emancipation. After this proclamation President Lincoln recommended to the Congress of 1864 to amend the Constitution in this sense, and the reform which abolished slavery in the United States was sanctioned February 1st, 1865.

1273. The Congress of the United States, far from considering the legislative measure dictated by President Lincoln as a usurpation of power, or as a violation of Constitutional precepts, approved by its laws of August 6th, 1861, and March 2d, 1867, all the acts of the President, and presented them as valid and legal as if they had been issued by Congress itself, which, judicially speaking, is equivalent to a concession *ex post facto* of powers extraordinary, in a country whose Constitution has no provision which authorizes the granting of those powers; and notwithstanding this, it has been sustained here, and by Representatives of the United States, that powers extraordinary are unconstitutional, and therefore the acts of the Executive exercised by virtue of said powers are illegal.

1274. With the object of procuring the filling of the vacancy on this point existing in the Constitution of the United States, a book has been written, entitled "The Powers of War According to the Constitution of the United States," by Mr. William Whitney, in which it is maintained that in time of war the President of the Republic ought to assume dictatorial powers.

1275. The Government of the United States published besides, during the war with the Southern States, some "Instructions for the Regulation of the United States Army in Campaign," written by Mr. Francis Lieber, which sets forth the powers of military chiefs during war, and whose powers are not expressed in the Constitution, and they comprehend extra constitutional attributes. These instructions were substantially adopted by General Porfirio Diaz, in 1867, for the forces under his command, and on some other occasions they were put in force, as will be shown further on.

D. Reasons why Mexico has not been able to agree in a Treaty excepting citizens of the United States from Extraordinary Taxes.

1276. The Report states that the Mexican Government has declined imperatively to agree in any stipulation of treaty, or to make any declaration or agreement whatever to exempt North American residents in the country from taxes decreed by the Executive, in virtue of powers extraordinary, and classes them as irregular and unjust exactions. Inasmuch as the Report mentions this fact, and in a certain degree gives it the character of blame against the Mexican Government, it is considered proper to refer as briefly as possible to the substance of this incident.

1277. The United States Representative to Mexico has for some time solicited the celebration of a treaty between the two Republics, by virtue of which citizens of the United States resident in Mexico should be ex-

1270. New extra-constitutional acts of President Lincoln approved by Congress.

1271. Law of the United States Congress legitimatizing the extra-constitutional acts of the President.

1272. President Lincoln proclaims the abolition of slavery, and an amendment on this point sanctioned by Congress.

1273. What has occurred in the United States does not authorize certain estimations on the delegation of legislative powers.

1274. Object of the work of Mr. Whiting, entitled "The Powers of War According to the Constitution of the United States"

1275. The "*Instructions of Lieber*" have been in force in Mexico.

1276. Assertion of the Report respecting the subjection of United States citizens to the payment of Executive imposts.

1277. The United States representative has solicited that his countrymen should be exempted from the payment of extraordinary imposts.

cepted from forced loans and extraordinary taxes, on the ground principally that those loans and taxes are illegal, and that Mexico should have no objection to enter into obligations with a friendly nation, not to do that which its condition prohibits.

1278. Respecting the forced loans, which name is given to the war taxes imposed by military chiefs during the period of subversion of peace, it is proper to remember that various articles of the "*Instructions for the Regulation of the United States Army in Campaign*," comprehended the power of the chief of a military force to impose taxes, the principal ones being, the 7th, the 10th and the 15th, which read as follows :

"7th. The martial law extends to property and to persons, be they subjects of the enemy or strangers to its government."

"10th. The martial law works principally on matters of police, or of collection of *taxes on public rents*, be they imposed by the power expelled or by the invading one, and refers, above all, to the sustaining and good preservation of the army, its security and the security of its operations."

"15th. Military necessity permits the taking for the army of all the country affords, necessary for the subsistence and safety of the said army."

1279. Passing from the question of forced loans, which has many points of contact with that of the extraordinary taxes decreed by the Executive, in the exercise of legislative powers, to that of extraordinary imposts decreed by the Executive by virtue of legislative powers, it will be seen that the considerations of the Report are unfounded here also.

1280. The constitutionality being once demonstrated, of the delegation to the Executive of legislative powers, according to the precept of Art. 29 of the Constitution, it will appear excusable to say one word more upon this subject, for the basis is lacking completely to the reasonings of the Report, because it starts out on the supposition that such delegation is unconstitutional. In fact, if, according to the Mexican Constitution, the legislative powers can in certain cases delegate its powers to the Executive, and if the Executive power, by virtue of this delegation, decrees an impost, which all the inhabitants of the country are under obligation to pay, with what right can it be pretended that the citizens of the United States residing in Mexico should be exempted ?

1281. The imposition of taxes by the Executive power being, then, in accordance with the Constitution of Mexico, in the exercise of delegated legislative powers, Mexican citizens are obliged to pay those taxes, and, in fact, they have paid them. If the Mexican Government should celebrate a treaty with the United States, by virtue of which citizens of that country residing in Mexico would be free of those imposts, the result of such a stipulation would be to put United States citizens in Mexico in a better condition than the Mexicans, inasmuch as they would be exempt from the payment of a tax which these were obliged to satisfy, according to the provisions of the Mexican Constitution.

1282. It ought to be borne in mind, besides, that such exemption to the United States being granted, it could not be denied to other nations friendly to Mexico, and the result of this would be that foreigners would be in a better condition in Mexico than its own people. Would the government of the United States consent to celebrate treaties, by virtue of which foreigners resident in its territory should be in a better condition than the North Americans ? If, as it is to be believed, the United States would not consent to this strange principle, it cannot be comprehended how they would try to obtain it of Mexico, for the most a nation can do in favor of foreigners is to equip them in their rights and obligations the same as its own people, but it would be indefensible to put them in a better condition than these.

1283. Considering all the force and gravity of what has just been very briefly noted, it appears unnecessary to say a single word more upon this subject, by having demonstrated that the asseveration of the Report on the unconstitutionality of the imposts decreed by the Executive in the exercise of powers extraordinary lacks foundation, and that the stipulation referred to would come to place the citizens of the United States and all foreigners resident in Mexico, in a better condition than the Mexicans.

1278. Provisions contained in the "*Instructions of Lieber*" on extraordinary imposts.

1279. The considerations of the Report on extraordinary imposts decreed by the Executive are unfounded.

1280. The delegation of powers being constitutional, the basis of the reasonings of the Report is lacking.

1281. United States citizens cannot be placed in a better condition than the Mexicans.

1282. Consequence that would result from the exemption the Report alludes to.

1283. It is unnecessary to insist on the constitutionality of the extraordinary imposts.

6. COMPLAINTS OF THE UNITED STATES LEGISLATION TO THE MEXICAN GOVERNMENT FOR INJURIES TO NORTH AMERICANS.

1284. In reference to this point, the Report states that there are so many banditti, and so much robbery takes place, it is natural to suppose that American merchants, miners and travelers should be sometimes the victims. Therefore, I have believed it to be my duty to complain frequently to the Mexican Government for assassinations of American citizens, there being in some cases a supposed complicity of the local authorities, and in many of them their abandonment, and indifference to the punishment of the assassins. About fourteen months after my arrival to this mission, I thought it necessary to address an energetic note to the Mexican Minister of Foreign Affairs for this reason, and as President Grant wished the same published, there is no objection to copying the following.

1285. It is proper to call to notice that the Report recognizes that the injuries that may be committed in Mexico against life and property are not directed especially against citizens of the United States, and not even against foreigners in general, and that it considers that the North Americans are exposed to them, and are victims the same as any of the inhabitants of this country, whether they are countrymen or foreigners.

1286. Further on the Report recognizes that the Mexican Government does not approve of the attempts that may be committed in Mexico against citizens of the United States, when it says as follows :

"The preceding cases will show the inconveniences to which merchants from the interior of the country are sometimes subjected. I do not wish to give to understand that all American merchants are treated so, but there are few who have lived many years in the interior but what can bear testimony to those inconveniences from their own experience. Neither do I desire it to be believed that the General Government, or the better class of Mexican citizens, approve such conduct, but what I wish to note is, that these occurrences are the natural consequence of every revolution that occurs."

1287. There will be set forth here, in the first place, the text of the accusation which the Report makes respecting the non-enjoyment of security in Mexico, and, in continuation, will be inserted a memorandum from the Department of Foreign Affairs on this subject, which sets forth some eloquent facts.

A. Text of the Accusation of the Report Respecting the Injuries Suffered in Mexico by United States Citizens.

1288. In reference to injuries suffered in Mexico by United States citizens, the Report inserts fragments of a communication addressed by the Hon. John W. Foster, in his quality of Envoy Extraordinary and Minister Plenipotentiary of the United States to Mexico, to the Department of Foreign Relations, August 11th, 1874, which fragments are these :

"During the short time that I have been in charge of this Legation I have been officially informed by the consuls of my government, resident in different localities of the Republic of Mexico, of the death of thirteen American citizens by violence and outrage, some of them assassinated in the most brutal manner, and to the offense of our common civilization. Besides these, I have received also official reports of divers brutal attacks and personal attempts against American citizens, which have not resulted in loss of life."

"I am sorry to state that, up to date, I have no knowledge that any punishment has been applied in a single case of this long list of murders and personal offences. Therefore, with the most sincere sorrow, and the most profound conviction of my duty for the dignity and honor of my government, and the security of the lives and persons of Americans residing and traveling in this country, I energetically protest against the apparent indifference and carelessness of the local authorities in punishing crime, and the attempts committed against American citizens, and I ask the Federal Government of Mexico to employ, in an efficacious manner, its influence and its authority to protect the lives of my fellow-citizens, and to punish those who murder and outrage them." (See Foreign Relations of the United States, 1874, pp. 15-78).

1289. The Report continues speaking of this subject in the following terms :

"Since I wrote that note more than four years have passed, and the list of American citizens has increased considerably, and notwithstanding, up to date I have been informed that punishment has been applied in only *one case*, and when a *Mexican was assassinated* at the same time.

1284. Allusion of the Report to complaints for assassinations of American citizens.

1285. The Report recognizes that the attempts are not made especially against citizens of the United States.

1286. The Report recognizes that the Mexican Government does not approve those attempts.

1287. The text of the accusation will be set forth here, which the Report makes respecting insecurity.

1288. Text of the accusation of the Report respecting the injuries suffered by United States citizens.

1289. The Report asserts that for four years past new offences have occurred.

B. Memorandum of the Department of Foreign Affairs respecting the Preceding Accusation.

1290. This Department having asked of that for data, on the incident to which the anterior fragment refers, in order to comprehend, in this note, what took place respecting this subject, the following memorandum was received from that Department, which, from its interest, it is thought proper to set forth here, notwithstanding it pertains to its archives:

"Mr. Foster was received in his capacity of Envoy Extraordinary and Minister Plenipotentiary of the United States of America, on June 16th, 1873. The 11th of August, 1874, he wrote the foregoing words; that is to say, thirteen months after his reception.

"The Department of Foreign Affairs made reply to the note of August 11th, communicating the steps taken in the case referred, dispersing the charges of negligence, and expressing its judgment on 'the propriety of precisely stating the cases, of which the General Government has had no knowledge, to the end that efficacious measures may be dictated to obtain the prosecution and punishment of the delinquents, and to know to what degree the local authorities might appear guilty of negligence or abandonment.'"

"The Minister of the United States replied, August 29th, 1874, as follows:

"'It would be difficult to show, in all the cases that have come to my knowledge, the facts that prove the negligence or indifference of the authorities, or the prejudices of the people; but the simple fact expressed in my note of the 11th of this month, that 13 American citizens had lost their life, violently, and in an outrageous manner, and not upon a single occasion had the condign punishment been inflicted, is sufficient to found the conviction expressed, as a consequence.'"

"Up to this date the United States has not been pleased to correspond to the just demand of the Department of Foreign Affairs, to precisely state the 13 cases of murder mentioned in his note of August 11th.

"In exchange, an examination of the proceedings instituted on murders, and attempts of every kind, both committed on American citizens by Mexican citizens, or in Mexican territory, as well as *vice versa*, will be the best proof to determine on which side is found the greatest number of attempts, and where is noted the want of fulfillment of the duties of most primitive justice.

"Here is a list of the cases:

"Americans assassinated by Mexicans or in Mexican territory:

"1871. Murder of James W. Bard and J. Johnson, near Guerrero; it has not been possible to discover the authors.

"1874. John W. Dumbar and Adolphus Strauss, assassinated in Mazatlan; one murderer condemned to death.

"Alexander Sanders, murdered in Nuevo Leon; case pending.

"Juan Stephens, Protestant missionary, murdered by some fanatics in Ahualuleo. Five criminals executed.

"1875. Murder of two Americans, unknown, at the ford of Carretas; the presumed criminals, who were found in Sonora, have been sent so Chihuahua, where the crime was committed.

"Death of Henry Morris, in a Protestant temple in Acapulco, by a horde of fanatics.

"Murder of Dr. Lowell and of George Hill in Texas, by Mexican banditti, who fled to Mexico. It is said that by not having complied with the requisites of Mexican laws on the prosecution of crimes committed abroad, the course of justice has not been able to proceed.

"Assault on the estate of Ramon Aznar, Xuxub, and death of R. L. Stephens, by the Rebel Indians of Yucatan. The widow of Stephens asked for indemnity, but her petition was thrown out, for the same reasons which the American Government objected in the case of the seven shepherds of D. Toribio Lozano, murdered in Texas by a party of banditti; to wit: "*Because no Government is pecuniarily responsible for the murder of individuals committed by other individuals within the limits of its jurisdiction.*"

"1877. Attempted homicide on the person of A. A. Russel; this case is pending.

"A party of Mexicans pass to Brownsville and commit various excesses. The military commander of Matamoros hastens to assist in quelling the disorder.

"1878. November. Walter Henry, murdered near Zaragoza, Coahuila. The investigation not yet finished.

"See now the list of Mexicans assassinated by Americans or in American territory:

"1871. Death of the wife of Quirino Garcia; burning of the town of Algodones, Lower California; the extradition of the banditti who assaulted that town, has been asked, but up to this date not obtained, in spite of repeated efforts for that purpose.

"1872. In the beginning of June the Mexican, Joaquin Cardona, was lynched in Arizona.

"1873. The Government of Chihuahua complains of the hostile conduct of John Burgess and his friends, against Mexicans established on the left bank of the Rio Grande. On November 28th they killed the Mexicans Epitacio Ortega, Mariano Flores and N. Burgos. Up to date there has been no notice that the American tribunals have taken any steps in the investigation of that matter.

"On the 2d of July, Mariano Tiznado was murdered at Phoenix, Arizona, by B. F. Patterson.

"On the 8th of August, lynching of three Mexicans in Tuxson.

"1874. August 1st. The Consul at Brownsville communicates that some soldiers of Captain Wallace, belonging to a company of Texas militia, wounded Ambrosio Mousesvalles, citizen of Conception; that he arrested them, and afterwards, being convinced of their innocence, put them at liberty.

"Mousesvalles declined to sue, for fear of being assassinated, as were Matias and Roman Carza. Horrible murders committed at Penascal and unpunished up to this date.

"July 25th. Mateo Robles and Gabriel Leyva murdered by the citizens of San Felipe, Texas. The Legation at Washington protested against these crimes without any effect.

"February 6th. Murder of seven shepherds of D. Toribio Lozano in the county of Nueces. Up to this date no notice is had of any judicial proceedings being instituted.

"September 19th. Invasion of armed men from the United States, and damages committed on Mexican territory. The respective complaint was made by the Legation at Washington; produced no result.

"1875. Manuel Hernandez Gonzalez murdered at the rancho del Refugio, United States. It does not appear that the American authorities have taken any proceedings in the matter.

"March. Mauricio Villanueva, Mexican merchant, murdered at the rancho of Sauz, Texas. The complaint presented has produced no result.

"April. Benigno Contreras wounded and maltreated near Ojinaga by Americans.

"May. The Majordomo of the Hacienda of Cieneguita, Chihuahua, killed by five American banditti coming from Texas.

"May. Rape and wounding of the Mexican girl Juarez, at Laredo, by banditti from Texas.

"1876. May. The American banditti pass the frontier, kill Macario and burn the house of Pablo Blanco at Jacuma.

"1877. Eight Americans pass the Bravo and rob and wound the owners of the ranch of Gonzalez. Murder of two Mexicans at San Diego, California.

"The Lieutenant-Colonel, D. Jose Ramirez, and his wife Amanda Write, murdered at their ranch of Sauz, Texas. It does not appear that American justice has taken any steps to punish those crimes.

"December. A train of Mexican carts assaulted near Corpus Christi by Texan banditti.

"Eleuterio Escobedo murdered in the environs of Bejar. The action of American justice was confined to proving the death of Escobedo.

"Murder of Sotero Gonzalez, Inocencio Gongora and Catarina Gutierrez by a party of Texan banditti.

"Murder of a Mexican servant in the service of D. J. Hernandez, at Castroville.

"1878. January. A party of American Indians entered the District of Monclova, committing robberies and all kinds of outrages.

"Robbery committed on Roman Aranda del Paso by American Apaches.

"Assault and depredations committed by Salinas, at Candela and other towns of Tamaulipas, at the head of Texan banditti. Punishment of these attempts has not been able to be obtained, for it had been alluded to with every kind of specious pretexts.

"April. Indians proceeding from the United States invade the jurisdiction of Lampazos, and wound Julius Samaniego. The Indians returned to Texas without being molested in the least degree.

"The preceding list comprises but a small part of the numerous complaints and notices registered in our archives. In all the proceedings relative to American complaints, there is noted the effort and genuine earnestness of the Mexican Government, in the clearing up of the facts and the prosecution and punishment of the criminals. If these efforts have not always had the desired effect, it is to be taken into account that the Secretary of the United States himself has had to set forth that *'the Mexicans in Texas, as well as the Americans in Mexico, who undertake business near the frontier, must not for the present, and perhaps for some time to come, expect that either government can assure them against the risks inseparable from such enterprises.'*

"The cases of Americans murdered in Mexico or by criminals refuged in the Republic, from 1871 to 1878, are thirteen.

"The cases of Mexicans murdered in the United States of America, or by criminals refuged in their territory, from 1871 to 1878, are forty-two."

C. Considerations Springing from the Preceding Memorandum.

1291. The two following facts appear from the preceding memorandum:

1st. That although the United States Representative to Mexico set forth, from August 11th, 1874, that during the time he had been in charge of the Legation, that is to say, for thirteen months, there had been thirteen cases of attempts committed, in Mexico, against the life of United States citizens, and he complained that the authors of those crimes had not been punished, and he did not come to state precisely what were the cases to which he referred, in spite of the instances which were made, with this object, by the Department of Foreign Affairs; and,

2d. That even considering the number of cases exact in which citizens of the United States have suffered in life and property, according to the complaint addressed by their Representative to Mexico, on August 11th, 1874, and even taking into account the other cases occurred from 1871 to 1878, there appears to be a greater number of attempts suffered by Mexican citizens in United States territory, the authors of which do not appear to have been pursued or punished.

1292. It is seen, then, that even the United States Representative, having ground to complain of injuries suffered by his fellow-citizens in Mexican territory, Mexico would have more ground to present a similar complaint against the United States Government, and even to give this the character which the United States Representative gives to his Report.

1293. If there having been committed in Mexico offences against the life and property of United States citizens, and the culprits having even remained without immediate punishment, could be a sufficient motive for maintaining that there is no security in Mexico, the same thing could be maintained respecting the United States, from there having been a greater number of attempts against the life and property of Mexican citizens, and from the culprits having received no immediate punishment.

7. SPECIAL CASES OF INSECURITY MENTIONED IN THE REPORT.

1294. The Report, after having set forth general considerations respecting the insecurity he believes to prevail in Mexico, and having cited the complaints addressed by the United States Representative, on account of injuries suffered by his fellow-citizens, he mentions various special cases, for the purpose of demonstrating his asseverations. Coming down to this ground, the question is facilitated greatly, for it loses its vague character, and events are referred to that can be estimated at their value. It is to be supposed that facts presenting a graver character have been sought, for setting forth in the Report as a clearer proof of the insecurity in Mexico. So that, if these facts are demonstrated to be inaccurate, or greatly exaggerated, the basis of the Report comes to the ground, and will remain reduced to declarations which are not justified nor sustained by practical facts.

1295. This makes it necessary to take up each one of the facts mentioned in the Report. These facts are five: the first refers to the case of Mr. Henry Miller, located in Chihuahua; the second to the vessels Dreadnought and Montana, arrived at Mazatlan in January and February, 1857; the third to the events occurred at Acapulco, in February, 1877, and especially to the putting of the Consul, John A. Sutter, in prison; the fourth to the events occurred at Matamoros, in December, 1876; and the fifth to the murder of the American merchant, Walter Henry, which took place near Piedras Negras, in August, 1878. Each one of these, then, will be spoken of especially.

1296. In that part of the Report which has been examined up to this point, insecurity of person is principally spoken of, and the cases mentioned in continuation refer to insecurity of property, which is presented as more alarming than the former, for it is assured that frequently a man would expose his person, but not his property.

1297. In reference to this subject, the Report says the following, in which is indicated the object to make it appear that in Mexico not only are life and property in general not protected, but especially so those of the citizens of the United States:

1291. Facts which appear from the memorandum of the Department of Foreign Affairs.

1292. Mexico would have greater ground for complaint against the United States for complaints committed against Mexicans.

1293. If a country is considered insecure because some crimes are committed in it, all would be insecure.

1294. The bases of the Report respecting security are the special facts which it cites on this point.

1295. Number of facts specified in the Report.

1296. The Report presents the insecurity of property as more alarming than that of life.

1297. Fragment of the Report on the insecurity of property in Mexico.

"There is, besides, another cause for the insecurity of property that has come to my official knowledge, and which is known to the public, and to which I ought to refer, for the purpose of giving a perfect idea of the kind of protection that is given to American merchants and capitalists in this country.

"Murders and personal violence are a great evil, but although it may appear strange, it is, however, certain that capital and property claim more protection than life itself. A man will frequently risk his person, and will not do so with his money or effects, although American citizens are barbarously assassinated by banditti, and no immediate punishment is meted out to them. As the business men gathered in Hershey Hall do not propose to abandon their comfortable houses of Chicago, and its beautiful environs, they must be interested to know what protection will attend their capital invested in mines, or their merchandise sent for sale to the interior of Mexico. I can inform them better by citing cases which have taken place, and which have been published by our Government and by American periodicals. The archives of this Legation and of the Department of State are full of complaints of American merchants, miners and business men, for illegal embargoes and confiscations of money and effects by Federal and State authorities, and by military chiefs and local officials, by government troops and by revolutionists, and generally without there being in any case due reparation made. But not to be diffuse, and to concrete the events of a recent period, I shall limit myself to facts which took place during the last revolution, and under the present Administration of Mexico, and I shall embrace points of country a long distance apart."

1298. Note, that the facts to which the Report refers, and which it mentions in continuation, occurred during the last revolution. A country cannot be judged by what passes in it during a period of revolution, for then everything is abnormal and extraordinary. Revolution is war, and it is impossible that during war the guarantees can be enjoyed which all countries grant for a time of peace.

A. Case of Mr. Henry Muller in Chihuahua.

1299. In reference to the citizen of the United States, Mr. Henry Muller, which is the first the Report refers to, the following points will be considered:

- a. Text of the Report respecting the case of Mr. Henry Muller.
- b. Report of the Department of Foreign Affairs on that case.
- c. Report of the War Department on the same case.
- d. Action of the Treasury Department on the same case.
- e. General considerations on the same case.

a. Text of the Report respecting the case of Mr. Henry Muller.

1300. The Report says, in reference to this case, as follows:

"A short time after General Diaz had 'pronounced' against the late government of Sr. Lerdo, the State of Chihuahua was the theatre of many despicable contentions between the armed factions of Diaz and Lerdo. The cities and towns change frequently their military possessors. When the revolutionists possessed themselves of one, their first act was to impose a 'forced loan,' for they were destitute of money to carry on the revolution. As the government forces had extraordinary expense to combat the revolution, their coffers were also exhausted, and they were obliged to have recourse to 'extraordinary taxes.' In this way some American merchants of that State were obliged to pay to the divers parties no less than thirteen different 'forced loans,' in the space of six months. These 'loans' fall almost exclusively on the commercial and mining companies, which ought to pay their amount in a few hours, or at least in a few days; so it is that recourse was had in preference to those who could dispose of money or realizeable effects. The complaint of all the foreign merchants is also that they suffer the most, for the Mexican merchant has little difficulty of liberating himself from the payment, or the 'negotiating' with his fellow countrymen, the military chiefs, on very advantageous terms. I will relate what occurred to a banker and mining capitalist of Chihuahua, which is an example of this, during the last revolution. The partizans of Diaz took possession of the city of Chihuahua, keeping it for some weeks, in the latter part of 1876. Their first act was to impose a forced loan, and \$3,500 were apportioned to the American banker, who, at that time, was absent from the city, residing on his estate. An armed force was commissioned to collect the same loan. As he had paid considerable sums of the same kind, he thought he had satisfied all the part that belonged to him, and refused to pay. The force arrested him and carried him to the city; but, meanwhile, the forces of Lerdo had recovered the place, and the banker was taken out of there and carried to the mountains, from whence he sent to tell his family that \$80,000 was owing for his ransom. He refused to counsel his family to pay so dear for his

1298. A country cannot be judged for what happens in it during a period of revolution.

1299. Subjects which will be considered on treating of the case of Mr. Henry Muller.

1300. Text respecting the case of Mr. Henry Muller.

liberty, and was carried from here to there with the wandering band of revolutionists, now to one mountain, now to another, according as they were persecuted by the government forces, obliged to sleep on the bare ground and in the cold air of the mountain; exposed many times to the fire of the enemy, to the imminent danger of his life; at last he was set at liberty, after 30 days of sufferings, by paying the sum of \$3,500 asked at first. This American having suffered in nearly \$50,000 from forced loans and military exactions of various kinds in the last revolution, and not having succeeded in getting the local authorities to recognize his claim, he made a journey to this city, 1,200 miles distant, at the beginning of the present year, to apply directly to the General Government in demand for reparation; but, after losing five months in vain efforts, in the capital, he returned to Chihuahua, without making any arrangement."

1301. The circumstances of this case will be examined first, according to the official statements that exist of it, and afterwards some general considerations will be made respecting the same, and some conceptions put upon it by the Report, will be rectified.

b. Report of the Secretary of Foreign Affairs on the case of Mr. Henry Muller.

1302. Having asked that Department for the data it might have respecting this case, so as to take them into consideration in this note, the following memorandum was received, which is here inserted for the comprehension of all relating to this subject:

"Mr. Foster, in referring to the vexation which he said American citizens suffered in Chihuahua during the last revolution, expresses himself on these terms:

" 'In this way some American merchants of that State were compelled to pay to divers parties as many as 13 separate and distinct forced loans, in the course of six months,' and adds, 'that those forced loans weighed almost exclusively on merchants and mining companies, and that foreign merchants complain besides, that they are the principal victims.' And, as a sample of those cases, he presents that of an American banker and mining capitalist, without telling his name. The description which Mr. Foster makes of this case is an extract from that contained in an article which was published in the New York *Herald*, and which the *Monitor Republican* published a translation of June 13th, 1877, and the name of the banker, Henry Muller.

"The 'headings' of that article are as follows: 'The Turkey of America. Mexico and its outrageous American citizens. Its rulers, thieves, and its employees banditti.' The simple enunciation of those headings is sufficient to reveal their spirit. Notwithstanding, as soon as the government came to know of the statements in it, and without Mr. Foster having presented any claim on the subject, as he has done up to now, the corresponding information was asked for:

"From that received in the Department of Foreign Affairs, it appears that Muller is a German by birth, naturalized in the United States, who went to Chihuahua in 1841 without any capital whatever; that he there made a considerable fortune, mostly from business with the government, and that when General Trias, in June, 1876, imposed a loan on the merchants of Chihuahua, Muller at first consented to pay the quota assigned him, but immediately after he absented himself from Chihuahua, and took an active part against the revolution, by arming the people on his estates, with which he joined the forces of the government, helping it through all the campaign, the reverses being owing to his efforts which were suffered by the partizans of the revolution; that, taken prisoner by Lieutenant-Colonel Delgado, he was sent to Presidio del Norte, and that he was treated with every consideration compatible with his condition, notwithstanding the conduct of the American Chief, Andrews, who threatened to level that town to the ground if Muller were not delivered up, and that when General Trias returned, he was put at liberty, without its appearing that Muller has presented any complaint against the government.

"General Trias, in order to prove that it was not true that he extorted money from the American residents of Chihuahua, remitted the following letter:

" 'United States Consulate, Chihuahua:

" 'I have the honor to reply to your dispatch, received this morning, and in reply, to say that no complaints have been received from any of the Americans that they have been treated with any rigor by the present Government, nor oppressed in preference to the Mexicans, or to foreigners of other nationalities. Adjoined I send you a list of the American citizens of this city.

(Signed)

" J. C. HUSTON, Vice-Consul of the United States."

" 'CHIHUAHUA, August 3d, 1877."

1301. Order which will be followed in speaking of the case of Mr. Muller.

1302. Memorandum of the Secretary of Foreign Affairs on the case of Mr. Henry Muller.

“ ‘ To the Governor and Military Commander of the State of Chihuahua, present :

“ ‘ In order to give an adequate understanding of the circumstances of Mr. Muller, it is proper to insert here some paragraphs of the American Commissioner, Mr. Wadsworth, formulated on a claim presented by the said Muller :

“ Opinion of Commissioner Wadsworth, presented in the session of April 2d, 1875: ‘ In 1862 the claimant was a clerk of Macmanus & Co., who worked the mint at Chihuahua, by virtue of a contract of lease which Macmanus holds by transfer from Potts, Carmis & Munoz. Miller made a secret agreement with two partners of Macmanus, Sainz & Maceyra, in consequence of which he was to pass to Mexico to procure this lease of the mint in his own name, but really in his own behalf and that of the two rascally partners of Macmanus. Miller well knew that he was working illegally, and in bad faith, but he expected to succeed in his object through the connivance of his companions in deception.

* * * * *

“ ‘ He has no claim, inasmuch as he renounced it ; his claim commenced in fraud and rests on fraud. The Mexican Government might easily have foreseen a multitude of difficulties, as well for itself as for others having any business with the mint, when it delivered that institution to people who commenced by building themselves up upon it by availing themselves of intrigues which violate good faith, and the confidence that ought to reign in all mercantile society, and by laying to one side the obligations of honorable men. My judgment is that this claim should be rejected, and it is so decided.’ ”

c. Report of the War Department respecting the case of Mr. Henry Muller.

1303. Information having been asked of the War Department respecting the case of the United States citizen, Mr. Henry Muller, and the other four mentioned in the Report, it was given on the 12th instant, and in the part in point it says as follows :

“ *Mexican Republic, Department of War and Marine :*

“ Section 1st. The Department under my charge has informed itself of the contents of your note, dated the 5th instant, in which you ask for information about some facts to which Mr. John W. Foster, United States Minister, refers in an exposition which he addressed to the Chicago Manufacturers' Association, about the difficulties existing for the extension of commerce between Mexico and that country ; and in reply, I have the honor to state to you, as a rectification of the facts cited, as follows :

“ Paragraph 93. General Porfirio Diaz, as chief of the revolution initiated in this country against the Government of Lerdo de Tejada, being obliged to furnish the resources indispensable to his troops in the points they occupied, and not wishing to attend to this imperative and unavoidable necessity in an arbitrary manner, for our country is lacking in a law on war taxes, notwithstanding that these are now generally determined in all civilized nations, he fixed upon the ‘ Instructions for the Government of the United States Armies in Campaign,’ issued by the Federal Executive of that Republic ; he adopted them as good and appropriate, and ordered them to be observed among the forces which then formed the Restorative Constitutionalist Army.

“ The chief of the revolution, supported by the 1st, 7th and 10th Articles of the ‘ Instructions,’ referred to, was able to provide the necessary resources throughout the country for the subsistence of the troops ; and of the debts contracted by them some have been acknowledged and are now being paid, and others are pending in the General Congress, which will decide the form of their recognition and payment. Consequently, the damages which the operations of the Constitutionalist army necessarily occasioned to foreigners and countrymen were consequences of the war, and resting on a law which, for special circumstances already referred to, General Diaz put in force as I have shown.

“ The articles of the ‘ Instructions ’ cited say textually :

“ Art. 1st. A town, district or country occupied by an enemy is, by consequence of its occupation, under the martial law of the invading or occupying army, whether any decree or public notice declaring martial law has been made to the inhabitants or not. This is the effect, immediate and direct, and the consequence of the occupation or conquest. The sole presence of the inimical army puts in force the martial law.”

“ Art. 7th. The martial law operates principally in matters of police, and the collection of taxes and public rents, be they imposed by the power that has been expelled, or by the invading one, and refer above all to the sustaining and good preservation of the army, its security and the security of its operations.”

"Paragraph 94. The Federal Executive of the late Administration being empowered, in the branches of the Treasury and of War, by the General Congress, it could impose the loans to which this paragraph alludes; and, although it might be true that they were repeated in the State of Chihuahua, they were in proportion to the exigencies which that situation demanded. Foreigners, as well as countrymen, bore equally the same damages in this respect; and if the former suffer heavier imposts it is not because they fall on them exclusively, but from the reason that mercantile speculations of some future and commerce, on a large scale, are in their hands, and it is just to burden them proportionately and equitably. In every case the Federal Government has tried to place in the same conditions of recognition and payment the credits presented, either by foreigners or by countrymen, when their legitimacy has been duly proved."

"Paragraph 95. It would be desirable that there should be some indication by which the name might be known of the American banker and capitalist of Chihuahua who suffered the over-taxation and injustice to which the paragraph refers, in order to make the respective acclarations; but in relation to the pecuniary exhibit which he made, they are comprehended, respecting the General-in-Chief of the Constitutionalist army, in the power to exact them conceded by the law on war taxes; and, in relation to the Government of Lerdo de Tejada, in the powers conferred on him by the General Congress to that effect."

"By what has been set forth, it remains demonstrated that when proceedings are in consonance with a law those that are effectuated cannot be rightfully declared, by any legislation or authority, as acts of vandalism.

"All of which I communicate to you, in reply to your before-mentioned note, for the end which it expresses.

"Liberty and Constitution.—Mexico, January 14th, 1879.

(Signed)

"GONZALEZ.

"To the Secretary of the Treasury and Public Credit—Present."

d. Action of the Treasury Department Respecting the Case of Mr. Henry Muller.

1304. Mr. Muller came, in fact, to this capital, as the Report says, and being in it, presented to the Department of the Treasury, on May 21st, 1878, the following application:

"(A revenue stamp of 50 cents, cancelled in Mexico May 21st, 1878).

"*Citizen Secretary of State for the Finances and Public Credit:*

"Henry Muller, an American citizen, and resident of Chihuahua, appears before you with due respect, saying: That by the adjoined thirteen original documents it appears that the Supreme Government of the Republic owes him *forty-one thousand four hundred and thirty-seven dollars and forty-one cents* (\$41,437 41), which sum he supplied by orders of the civil and military authorities established in that capital, and in character of the forced loans, supplies of war and exactions, which, by orders of their superiors, some military chiefs made from my estate, taking effects, horses and other interests, as appears from some one of the documents with which I duly accompany; for I have never opposed obedience to the orders of the established authorities, as I could prove by all the neighborhood of that capital, in which I have resided for more than twenty-five years, and in my capacity as an American citizen I have had no other recourse than to obey the civil and military authorities, without mixing even in the discussion of their origin, nor taking any part in the political affairs of the country.

"I must notify you, Citizen Secretary, that among the documents figures a writing given in Chihuahua, April 16th, of the year last passed, by which it appears that I, in company with Citizens Dr. Jesus Munos, Domingo Leguinazabal, Juan Terrazas, in behalf of his father, Pedro Zuloaga, and Luis Faudoa, lent (\$10,000) ten thousand dollars to the Citizen-General Naranjo for the requirements of his forces, that Citizen-General agreeing to pay said sum and seven hundred dollars more (\$700), which, for rent of the locality occupied by the mint, which is my property, were owing me up to that date, with the duties which the said mint should realize for coinage, assays, &c., &c., and those which also the Treasury office should receive for exportation of silver; and agreeing, likewise, the said General, to give to the loaner one per cent. interest, whilst they were being reimbursed their respective sums. In the writing pertaining, it appears that, to effect the loan to which I refer, I gave five thousand dollars, and one thousand each by the said citizens; and that there has been given us by the Treasury office only (\$3,948) three thousand nine hundred and forty-eight dollars, including the interest liquidated up to February 8th of the present year.

"From all that is set forth, I petition you, Citizen Secretary, that giving account to the President of the Republic, with this application, and both taking into consideration the justice that is on my side, you will be

pleased to obtain the order, that I may be paid the said sum of \$41,437 41, whereby I shall receive a marked service from the Mexican Government, and which will serve to make less sensible the losses and damages I have suffered for the lack of the so many times before-mentioned sum.

"Mexico, May 21st, 1878.

H. MULLER.

"Furthermore, I have to say that, as intermediary named by Messrs. Munoz, Leguinazabal, Terrazas, Zuloaga and Faudoa, I represent them to arrange for the payment of what they represent in the writing spoken of in the body of the preceding application, and which, in testimony, figures among the thirteen documents above referred to.

"Date *ut supra*.

"H. MULLER."

1305. It is proper to note, before all, that the sum which Mr. Muller claimed of the Treasury Department, as a credit against the Federal Government, is not a matter of \$50,000, as the Report says, but of \$41,437 41, and being deducted from it \$555, the difference between \$3,948, which he confesses having received, and the sum of \$4,503 06, which he really appears to have been paid by the Treasury Office of Chihuahua, up to June 30th, 1877, there would only remain pending payment, up to this date, the sum of \$40,882 35, and that, moreover, in that amount are comprised sums which belong to Mexican citizens who commissioned Mr. Muller to collect them; for, of the \$10,000 advanced to General Naranjo, \$5,000 were furnished by Muller, and the other \$5,000 by the persons who commissioned their collection, they having furnished one thousand dollars each.

1306. Attention must also be called to the manner in which the events that happened to Mr. Muller are stated in the *Memorandum* of the Department of Foreign Affairs, which has been already asserted (paragraph 1302), which differs greatly from the form in which they are presented by the interested in his preceding application.

1307. This application, and the documents annexed to it, having been passed on the same day they were presented, May 21st, 1878, to Section 2d of this Department, that they might be studied, and the proper action recommended, the following report was brought for the approval of the Secretary, on the 23d of the same month of May, subscribed by the third official of Section 2d, in charge of the Department of Public Credit:

"Mr. Henry Muller, resident of Chihuahua, for himself, and in the name of Messrs. Jesus Munoz, Domingo Leguinazabal, Juan Terrazas, Pedro Zuloaga and Luis Faudoa, business men of that place, asks for the payment of the sum of \$41,437 41, which he and those he represents have supplied in divers offices, by reason of loans which have been imposed upon them, and by other exactions of which he asserts to have been the victim, according as he pretends to prove it, with the thirteen accompanying documents.

"From the examination the Section has made, according to the accompanying manifest, it results:

"1st. That Document No. I. is a copy of a writing of contract celebrated in Chihuahua, April 16th, 1877, between General Naranjo and Messrs. Muller, Munoz, Leguinazabal, Terrazas, Zuloaga, and Faudoa; upon a loan of the said gentlemen to the said General, for the sum of \$10,700, which was to be paid to them with the cash proceeds of the mint of that city, giving them the interest of one per cent. per month during all the time they should remain unpaid. This contract was approved by the Governor of that State, and by the chief of the Treasury of that date, Jose Maria Revilla. There are no antecedents in this Section on the authorization that should have been given in 1877 to General Naranjo to celebrate contracts of this nature, nor to the Chief of the Treasury to approve them. As Mr. Muller expressed in his application, the Treasury Office has paid over on account of this credit \$3,948, including the interest accrued up to February 8th last. According, as appears from the principal official paper on the Naranjo credits, existing in this Section (leaves 2 to 5), the said sum appears in the list remitted by the Office of Chihuahua, May 11th, 1877 (page 1, principal folio), of credits contracted by General Naranjo with various merchants of Chihuahua, this Department (leaves 56 and 57, principal folio) authorized the Treasury Office of Chihuahua, on December 21st last, to provide itself with resources, by celebrating contracts with the holders of Naranjo bonds, issuing their orders against the Custom-houses of El Paso and Presidio del Norte, with the understanding that the holders should receive 60 per cent. in cash and 40 per cent. in Naranjo credits, and that in the payment of import duties the Custom-houses should receive said for 80 per cent., and 20 per cent. in cash. Wherefore, it appears that with regard to this credit, Mr. Muller might be informed of the

1305. Rectification of the data of the Report on the sums owing Mr. Henry Muller.

1306. Divergence between the statements made by the report of the Department of Foreign Affairs, and those of Mr. Muller.

1307. Report of the third official of Section 2d of the Treasury Department, on the collection by Mr. Muller.

basis on which Naranjo credits are admissible in case it may suit the said gentleman to enter into an operation on the terms provided, whenever you may be pleased to accord it, with the understanding that the interest of 1 per cent. per month ought not to be approved, which was stipulated in the said contract on the \$10,000 furnished in cash, nor on the \$700 that were owing for the rent of the locality occupied by the mint of Chihuahua, according to Clause 5th of said writing (Doc. No. 1), the knowledge of this credit (\$700), belonging to Section 3d of this Department. In regard to the legal requisites of the mentioned document, No. 1, the Section calls to notice that the writing it contains is lacking in the proper stamps that should be used according to the revenue law (Article 4th), and that in the testimony of the same, issued by the Notary, Luis G. Irigoyen, stamps to the value of \$10.70 were not affixed, as was due, but that the only figures on it, one stamp of fifty cents, on the first foja of the two it contains; wherefore, the Chief of the Treasury at Chihuahua, J. Severo Perez de Leon, should have withheld from certifying a document calling for payment.

“2d. That the examination of documents Numbers 2, 3, and 11 belong to the Section of Liquidation, for they pertain to sums supplied to Constitutional chiefs during the movement of Tuxtepec, and to the value of objects that were extracted from the house of Mr. Muller (Document No. 2), as it appears in the extract of the accompanying manifest made by this Section. On the said three documents there figures a value of \$9,780.72.

“3d. That the documents Nos. 4, 5 and 6, to the value of \$5,913 60, furnished by Mr. Muller to the Revenue Department of Chihuahua, in the year 1862, pertains to credits contracted in the epoch of the revolution of La Noria, the basis for the regulation of which are not yet known.

“4th. That the documents Nos. 7 and 10, dated January 2d and March 13th, 1877, to the value of \$900, pertain to sums furnished by Mr. Muller to the Revenue Department of the State of Chihuahua, for loans imposed by the Governor and military Commander of the same State, and the reintegration of which was in part guaranteed by the federal rents, according as set forth in the said documents. As nothing appears in this section of any power having been given to that government to impose loans on account of the federal revenue, it appears that information ought to be asked of the Government of Chihuahua and of the Treasury office, with the insertion of the said documents, as well as on the purpose to which those sums were devoted, in order to determine regarding them.

“5th. That the documents 8 and 9, to the value of \$18,226 39, pertain to: \$150 furnished by Mr. Muller February 5th, 1877, to the Government of Chihuahua in the nature of a loan, which sum was to be paid him from the revenues of that State, and to \$18,076 39, amount of a bond issued by the Revenue Department of the State of Chihuahua, November 30th, 1876, in favor of Muller, which sum was recognized to him by that Government, according to the account presented, to the effect by the said Muller the payment of that credit affecting the revenues of the State therefor. Consequently those credits pertain to the State of Chihuahua, and not to the Federation.

“6th. That the documents Nos. 12 and 13, dated August 7th, 1872, and April 15th, 1877, both to the value of \$65, ought to be rejected for want of justification, lacking in the requisites expressed in the adjoining manifest made by this section.

“From all of which it results, that to avoid the confusion which the examination and despatch of credits of diverse natures on the same official paper, might give room, for it appears that there should pass to the Section of Liquidation those so pertaining, that they may be dealt with according to law.

“In view of what is set forth, you will be pleased to determine as appears.

“Section 2d, May 23d, 1878.—*Francisco Ramirez Castaneda*, third official.”

1308. Section 2d of this Department accompanied its preceding Report with the following manifest of the documents presented by Mr. Muller, with his application of May 21st, 1878, which gives an exact idea of the details of the credits which Mr. Muller claims of the Mexican Government.

Manifest of Documents Presented by Mr. Muller, a Business Man of Chihuahua, Asking for the Payment of the Sums Expressed Below.

Number 1. Writing of contract celebrated in Chihuahua April 16th, 1877, between General Francisco Naranjo and Messrs. Henry Muller, Jesus Munoz, Domingo Lequinazabal, Juan Terrazas, Pedro Zuloaga and Luis Fauda, on a loan made by them of \$10,000,

- which were to be paid to them out of the cash proceeds of the Mint, allowing them 1 per cent. per month for all the time they should be unpaid. That contract was approved by the Governor and Chief of the Treasury.....\$10,700 00
- No. 2. An account to the value of \$6,180 72, which was presented for acknowledgment to an office of liquidation, established in that State, by decree of May 10th, 1877, which account was rejected as being exaggerated. It pertains to effects, which, as Mr. Muller expresses, were extracted by order of General Trias in July, 1876, without giving receipt; and according to the certification of the same General, dated February 9th last, some objects were extracted by various individuals, availing themselves of the effervescence Chihuahua was in, and of the abandonment of the house of Muller in which the abuse was committed; as the list of some objects extracted by order of General Trias, was lost on Chihuahua being occupied by the chief, Machorro, and as there is no reason to doubt the veracity of the American Muller, the value set forth in the mentioned account is just. The examination of this credit belongs to the Section of Liquidation..... \$6,180 72
- No. 3. A receipt from the commander of the 1st Company of Cayame, given December 19th, 1876, in favor of Sr. Remigio Rivas, for the sum of \$3,500, which was imposed as a loan upon Mr. Henry Muller, by General Angel Trias. This document is wanting in the receipt of the respective pay-master, and the acceptance of General Trias. Its examination belongs to the section of liquidation..... 3,500 00
- No. 4. Certificate of the revenue officer of the State of Chihuahua, of Henry Muller, having delivered on August 22d, 1872, as a subsidy of war, the sum of \$513 60. This credit belongs to those contracted by the revolution of La Noria..... 513 60
- No. 5. Certificate of the same nature in which it appears that Mr. Henry Muller delivered at the revenue office of the State of Chihuahua, July 29th, and August 1st, 1872, \$2,400, which was the portion assigned him in the loan imposed by General Donato Guerra on July 6th, 1872. This credit belongs to those contracted by the revolution of La Noria..... 2,400 00
- No. 6. Receipt of July 3d, 1872, given by the general revenue office of the State of Chihuahua, in which it appears that Mr. Henry Muller delivered in that office, \$3,000, as a loan which was assigned him by virtue of the decree issued by the Legislature of that State, June 26th, of the same year, which was to be returned from the revenue of that State, as circumstances permitted, that revenue office having paid him \$200. Amount of balance..... 2,800 00
- The payment of the said credit belongs to the Federation.
- No. 7. Receipt of the revenue office of the State of Chihuahua, given in favor of Henry Muller for \$500, which he delivered by virtue of a loan imposed by the government of the same, January 2d, 1877, the payment of which was guaranteed with the federal and State rents. There is nothing appearing to show the powers given that government to impose loans, on account of federal revenue, upon which information should be asked of the Treasury Office of that State 500 00
- No. 8. Receipt of the Revenue Office of Chihuahua, February 5th, 1877, given in favor of Mr. Henry Muller for \$150, the portion assigned him, in the loan imposed on that date by the Governor and Military Commander of that State, which sum was to be paid to him out of the rents of the same. Said credit does not belong to the federation..... 150 00
- No. 9. Bond issued by the Revenue Office of Chihuahua, November 30th, 1876, to the value of \$18,076 39, in favor of Mr. Henry Muller, which sum was acknowledged to him by the government of that State, according to the certified account presented by the said Muller, the payment of that credit affecting the rents of the same State; it does not belong therefore to the Federation..... 18,076 39
- No. 10. Evidence of Mr. Muller having delivered in the Revenue Office of the State, March 13th, 1877, the sum of \$400 00, assigned in the loan of five thousand dollars, imposed on that date, by the Governor and Military Commander of the State of Chihuahua, guaranteeing its payment out of the federal revenue. There is nothing in this Section relative to any authorization granted the said Governor, to impose loans guaranteed with the federal revenue..... 400 00
- No. 11. Receipt of the Lieutenant-Colonel of the Trias Brigade, Sr. Antonio Delgado, for

\$100 advanced him by Mr. Muller, December 29th, 1876, which were to be returned by Mr. Moses E. Kelley. The official character of the last named gentleman is not known, and the document lacks the acceptance of General Trias, and the acceptance of general Treasurer, in case he were the paymaster. The examination of this document belongs to the Section of Liquidation.....		100 00
No. 12. Receipt of a Sr. Francisco Canalizo of the Western Army, given in favor of Mr. Henry Muller, August 7th, 1872, for \$42, value of a horse, saddle and bridle. By the date of the document, the said credit appears to belong to those of the revolution of La Noria, but as it is not authorized according to law, it must be rejected for want of justification.....		42 00
No. 13. Bond subscribed, April 15th, 1877, by Sr. Eslanislao G. Porras, as General-in-Chief of the Military Colonies in Encinillas, for \$23, value of four bushels of corn and seven sheep, and for attentions to the forces of his command. Said bond does not express the person who made the levy, and, in the opinion of Section 2d, it should be rejected entirely.....		23 00
Amount (E. O. E.).....		\$45,385 71
"Mexico, May 22d, 1878.— <i>Francisco Ramirez Castaneda</i> , third official.		
NOTE.—The preceding sum amounts to.....		\$45,385 71
Payments deducted, according to the tenor of Doc. No. 1, as the interested expresses in his application.....		3,948 00
Amount of the claim.....		\$41,437 71
Date <i>ut supra</i> ,		

F. R. CASTANEDA, Third Official."

1309. As seen, the credits claimed by Mr. Muller, which are not his, in their totality, belong to the five following categories:

Credits of supplies made to the revolution of La Noria in 1872	\$5,713 60
Credits of supplies made to the revolution of Tuxtepec in 1876.....	9,780 72
Credits of supplies made to General Maranjo in 1877.....	10,700 00
Credits of supplies made to the Government of the State of Chihuahua.....	19,126 39
Credits without proof.....	65 00
	<hr/>
Total.....	\$45,385 71
Payments deducted, made by the Treasury office of Chihuahua, on account of the Naranjo loan up to June 30th, 1877.....	4,503 06
	<hr/>
There remains.....	\$40,882 65
That which belongs to Mexican citizens for supplies to General Naranjo being deducted...	5,000 00
	<hr/>
There remains.....	\$35,882 65

1310. On May 25th, 1878, account was given to the Secretary of the Treasury with the pre-inserted report from Section 2d (paragraph 1307), and on the same date it was, in conformity with what was advised, ordering the credits to be passed to the Section of Liquidation, which pertained to that office, and that Section 2d be informed of those which were incumbent upon it.

1311. In virtue of this Section 2d, presented May 28th, 1878, the following Report:

"In compliance with the order of the 25th inst., documents Nos. 2, 3 and 11 were separated from this legal paper, and passed to the Section of Liquidation for its examination.

"As the claim of Mr. H. Muller comprises credits of different natures, and in the report of the 23d inst., the resolution of various points of different kinds is recommended, the Section permits itself to advise you that the verdict of 'approved,' which fell upon said report, be extended to the following resolutions:

1309. Divers epochs to which the credits claimed by Mr. Muller pertain.

1310. Order of the Secretary of the Treasury for Section 2d to report respecting the credits incumbent upon it.

1311. Report of Section 2d of the Treasury Department, May 28th, 1878.

“1st. That the contract of loan be admitted and recognized, made by Muller and his associates with General Maranjo, for the sum only of \$10,000 (leaves 3 and 4), without the interest of one per cent. per month, which is therein stipulated. That the recognition and payment be not admitted of \$700, for dues on rent of the locality occupied by the Mint of Chihuahua. That the matter relative to this credit pass to Section 3d, that it may report, as well as to the stamps the copy of the writing ought to bear on folio 3 and 4, of which a copy will be given it.

“2nd. That Mr. Muller be acquainted of the order of December 21st last, on the terms on which the Naranjo credits were ordered to be admitted and paid (fs. 23 and 24), by the Treasury Office of Chihuahua, upon celebrating contracts with the holders of those credits, to provide itself with resources, in the case that it should suit the said Muller to enter into some operation with the said office on the terms provided.

“3rd. That the Treasury Office of Chihuahua be told to abstain from certifying documents which lack the corresponding stamps, particularly when these import a claim against the Treasury (fs. 3 and 6).

“4th. That Mr. Muller be told that documents Nos. 2, 3 and 11 have passed to the Section of Liquidation for their examination and payment (fs. 5, 6, 7, 8 and 16); that the credits cannot yet be taken into consideration, represented by the documents Nos. 4, 5 and 6, (fo. 25,) contracted in the epoch of the revolution of La Noria, until the bases are dictated to which their recognition must be subject; that the documents Nos. 8 and 9 (fo. 26), to the value of \$18,226 39 are chargeable to the State of Chihuahua, and cannot be recognized by the Federal Government; that documents Nos. 12 and 13, which will be returned to him, leaving a copy in the legal paper, are inadmissible for want of justification.

“5th. That information be asked of the Government of Chihuahua upon the powers it may have had in January and March of 1877, to impose loans with the guarantee of the Federal revenue, as expressed in documents Nos. 7 and 10, which will be remitted in copy.

“In view of what you may be pleased to decide regarding the force that should be given to the decree of the 25th instant, this Section will be able to give it exact fulfillment.

“Section Second, MEXICO, May 28th, 1878.

“FRANCISCO RAMIREZ CASTANEDA, Third Official.”

1312. On account being given to the Treasury Department, with the preceding Report, it ordered, June 5th, 1878, as follows:

MEXICO, June 5th, 1878.

“Be the Report of May 28th last made known to the claimant, when he shall apply, that he may express if it is in accordance with the general arrangement which has been made respecting the Naranjo credits, and what else he may think proper. Be the Chief of the Treasury of Chihuahua dismissed, for having certified the copy of the writing against different prohibitions that have been circulated and recorded, that no office emit that class of certifications which may cause double payment, and because he did not take care that the copy had the corresponding stamps, for which he is responsible. Be notice asked of the same Chief of the Treasury, of the payments that may have been made on such credits, and the same of the Treasury.

“Signed, in rubric, by the Secretary of the Treasury.”

1313. On June 12th, 1878, a communication was addressed by the Treasury Department to Mr. Henry Muller, inserting therein for his information the report of Section 2nd, of May 23d previous, (paragraph 1307,) communicating to him that the report had been approved by the President, and asking him if he was in conformity with the general arrangements made of the credits contracted by General Naranjo, without Mr. Muller having replied to that note.

1314. The Treasury Office of Chihuahua notified the Treasury Department, in an official dispatch, dated July 3d, 1878, that, according as it appeared from its books, it had paid Mr. Muller, in the fiscal year of 1875-6, on account of the loan to General Naranjo, the following sums:

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- 1312. Order of the Secretary of the Treasury in view of the report of Section 2d on the case of Mr. Henry Muller.
 - 1313. Communication addressed to Mr. Henry Muller June 12th, 1878, without having received any reply.
 - 1314. Notice of the Chief of the Treasury of payments made in 1876 to Mr. Henry Miller.

On May 29th, 1876.....	\$2,000 00
On June 30th of the same year.....	2,500 06
Total.....	\$4,500 06

1315. Mr. Muller, without replying, as has just been said, to the note which was addressed to him on June 12th, 1878, on this claim, presented himself at the Treasury Department on August 17th following, asking verbally for the documents annexed to his application of May 21st previous, which were immediately returned to him.

1316. The part of the credit which refers to supplies made to the revolution of Tuxtepec, passed to the Section of Liquidation, established in this Department to examine and liquidate credits proceeding from said revolution, in accordance with the Regulation of June 18th, 1877, whilst the general Congress determines what may be proper, and the Chief of the Section presented on June 17th, 1878, the following opinion :

" To the Secretary of the Treasury :

" The North American citizen, Henry Muller, resident in Chihuahua, claims of the national Treasury the payment of the sum of \$9,780 72, proceeding from supplies made to the regenerating forces which fought in that State in the year 1876, and from damages caused to his interests by the same forces.

" To justify this claim he presents three documents, of which the first and third refer directly to Mr. Muller, and the second to Remigio Rivas, to whom was granted that receipt for the sum of \$3,500, mentioning the loan imposed by General Trias on the said Muller.

" Respecting the first voucher, which consists in the certified copy by the Secretary of the State Government, of an account which the claimant presented to him, comprising the effects which he lost in the abandonment he made of his house, located in the suburbs of the City of Chihuahua, there are various circumstances to note, very important to estimate the justice of this part of his claim.

" In the first place, it has the character of injuries and damages that cannot be recognized according to the regulation of July 18th of the passed year, entirely equal in this matter to the prescriptions of the law of November 19th, 1867. In the second place, by the confession of the interested himself, in his application presented to the Governor of the State, that account to the value of \$6,180 72 was already rejected in the revision of the credits, made by the revisory committee established in the State, according to the decree of the same of May 10th of the past year, of which there appears a copy in the legal paper No. 5 of the file existing in this section, because that account was exaggerated.

" Third. That according to the certificate of the Governor, which accompanies that application, the objects were taken without his order, and the house being abandoned by its owner in the popular effervescence of those circumstances, the said objects were lost, so that notwithstanding the deference which said Governor pays to the affirmations of the claimant in the said account, this is not proved by anything but his word, which, according to the laws of the Republic, constitutes no judicial proof, except in that such affirmations are *contra producentem*.

" Although in the same certificate of the Governor, mention is made of a list of objects which were taken out of the house by his order, it does not express what they were nor their value, but, according to the context of this part of the certificate, it does not confine itself to the account the claimant presented, but to others different from this. So it is, that being indefinite it cannot be estimated in any way, and needs proof.

" Voucher No. 2, or the receipt of \$3,500 given by the commander, Saturnino Navarrete, to Remegio Rivas, as it lacks the authorization of the superior Chief, properly empowered, as well as the signatures of the commissary or sutler of those forces, it is insufficient for the end presented.

" In the same case is found receipt No. 3, given for the sum of \$100, directly in favor of Mr. Muller by the Lieutenant-Colonel, Antonio Delgado. It results from what has been set forth, that the principal charge of \$6,180 72, as proceeding from injuries and damages, cannot be recognized, as well for the lack of proof as because the laws prohibit it; that the other two charges need fuller proof for their recognition. Such is the opinion of the Section, subject to your better and most respectable judgment.

" Mexico, June 17th, 1868.

FRANCISCO G. MACTEZUMA."

1317. On the 8th of June, 1878, in which account was given to the Secretary of the Treasury, with the preceding Report, it was ordered that information be asked of the Governor of the State of Chihuahua, respecting

1315. Return to Mr. Henry Muller of the documents annexed to his application May 21st, 1878.

1316. Opinion presented by the Chief of the Section of Liquidation on part of the credit of Mr. Muller.

1317. Fragment of the Report of the Governor of Chihuahua on the documents presented by Mr. Henry Muller.

the documents presented by Mr. Muller. The Governor of that State rendered, on August 26th, 1878, the report that was asked of him, which, in the part in point, says as follows :

"Executive Power of the State of Chihuahua. Section of Finance. No. 608.—In compliance with the order of the President of the Republic, according to the note from that Department, of date June 18th, which was received two days ago, I proceed to render the report which is asked of me.

"On June 1st, 1876, a loan of \$56,000 was imposed on the business men of this Capital, to attend to the necessities of the war. Of that sum, it was Mr. Muller's share to pay \$3,500, by his having in operation a capital of three hundred and fifty thousand dollars. This gentleman did not pay, but went away to points occupied by the enemy. Some time afterwards he was apprehended by a chief, who was in the knowledge of all that had passed, and obliged to pay the \$3,500 loan, which went into the Paymaster's office. The other receipt refers to \$100, which Mr. Muller voluntarily lent to a chief sent by me from Presidio del Norte, on a commission to this Capital.

* * * * *

"Liberty and Constitution. CHIHUAHUA, August 26th, 1878.

(Signed)

"ANGEL TRIAZ.

"To the Secretary of State for the Finances and Public Credit.—Mexico.

1318. For the better understanding of this subject, it is proper to state the general basis ordered for the payment of the loan made to General Naranjo, in Chihuahua, in April, 1877, on which account Mr. Muller supplied \$5,000. It being in reference to supplies made, not to a revolution, but to the representative of a legitimately constituted Government, almost all the Federal rents of that State were applied, and a large part, in fact, of that credit was paid, as already stated, during the fiscal year in which it was contracted. This being expired on June 30th, 1877, it was necessary to give new rules for its payment in the fiscal year following, and it being necessary to conciliate the payment of the said credit with the fulfillment of other obligations of the Federal funds, the basis was fixed on December 21st, 1877, which appear in the following telegram, addressed by the Treasury Department to the Chief of the Treasury, in the State of Chihuahua :

"MEXICO, December 21st, 1877. To the Chief of the Treasury, in the State of Chihuahua.—You are authorized to provide yourself with resources necessary to cover your estimate, by admitting in payment 60 per cent. in cash and 40 per cent. in credits of General Naranjo, issuing therefor orders against the custom-houses for import duties, direct or indirect, by El Paso or Presidio del Norte, in 80 per cent. of their amount, the importers paying 20 per cent. in cash.

"Render account of each contract you may celebrate, by authority of this, and render report of what is owing by the Naranjo contract.

"To decide on the Trias obligations, information asked for is awaited.

(Signed)

"ROMERO."

1319. On April 13th the preceding resolution was modified in the terms expressed in the following telegram addressed to the Chief of the Treasury in Chihuahua :

"MEXICO, April 13th, 1878. To the Chief of the Treasury in the State of Chihuahua,—In reply to your telegram of the 7th, received yesterday, I inform you that the order of December 21st last, communicated by this Department, is modified in the following terms :

"1st. There may be received 50 per cent. in credits of the Naranjo contract, and 50 per cent. in cash for 90 per cent. of the duties due in the custom-houses of El Paso and Ojinaga.

"2d. Importers shall pay the 10 per cent. remaining in cash, and its amount shall be applied to satisfying the wages of the employees in said custom-houses.

(Signed)

"ROMERO."

1320. According to these bases, those credits are since then being paid, and a considerable part of them has already been satisfied.

1321. Mr. Muller, without presenting better proofs of his doings in the sense indicated by the Chief of the Section of Liquidation (paragraph 1316), asked verbally, on the 17th of August, 1878, that the documents in

1318. General bases ordered for the payment of the loan made to General Naranjo in Chihuahua in April, 1878.

1319. Modification of the order of December 21st, 1877, on the payment of the loan made to General Naranjo.

1320. A considerable part of those credits has been satisfied according to the bases ordered.

1321. Mr. Muller did not present better proofs of his claims, and those he presented were returned to him.

proof of his claim should be returned to him, and in the same day their return was ordered, having delivered to him these, together with those referring to the rest of the credit (paragraph 1315).

e. General Considerations on the case of Mr. Henry Muller.

1322. By the explications that have been made respecting the case of Mr. Henry Muller, it will be seen that that very case, cited in the Report to demonstrate the insecurity that prevails in Mexico, could be presented to sustain the contrary. In fact, Mr. Muller came to the country about 25 years ago, without resources, and thanks to his labor and spirit of enterprise, he has succeeded in making a large fortune in the State of Chihuahua, in possessing large estates, city property and mines, and his resources permitted him to establish a bank. He has been, besides, contractor of the mint of that city, which, as has already been said, is one of the richest branches of business there are in Mexico. This example demonstrates then, that the insecurity prevailing in Mexico is not so great, when in spite of it, the very persons that are presented as victims of it, each prosper and make a large fortune.

1323. It appears equally, that Mr. Muller, either from personal friendship, or from some other motives, was inclined to one of the parties into which the State of Chihuahua was divided, and, that when the opposite party conquered, he considered himself insecure and fled from his house, having also the object of evading the payment of an impost, that had been decreed by the military chief of Chihuahua, and which had not a personal character. After a little, he was captured by a subaltern officer of the said chief, and in spite of the fears of the said Muller, of suffering some personal violence or great pecuniary exactions, he was not molested in his person, and there was simply extracted the payment of the impost that belonged to him, without increasing the quota that was assigned him, and which pertained to him, according to the respective decree. It appears clear, that the insecurity of the distant State of Chihuahua cannot be so great, when foreigners are treated in this manner who flee to elude the payment of an impost, and for fear of being attacked on account of having been inclined to the conquered political party.

1324. It appears also, that of the loan that Mr. Muller made to General Naranjo in Chihuahua, in April, 1877, which was a voluntary operation on his part, had been about half paid back to him up to June 30th, 1877, without its having been necessary for the federal government to take action in the matter, which also demonstrates that there is much exaggeration in assuring that loans to nearly \$50,000 had been imposed on Mr. Muller, and that he could not obtain the payment of these.

1325. It appears, besides, that of the \$41,431 71, amount of the credits presented by Mr. Muller, \$19,126 39 pertain to supplies made to the State of Chihuahua in 1876 and 1877, which were acknowledged to him by the government of that State, the respective endorsements having been issued to him. All who know our system of government, identical in this point to the government of the United States, will comprehend that the federation is not responsible for the pecuniary obligations of the States, for, if it could make the expenditures of the States, the Independence of these would cease.

It is not understood, then, how it is that Mr. Muller claims of the federation the payment of a credit against the State, and still less, that the United States Representative finds it censurable that the federation does not pay the debt of the States.

1326. It appears, finally, that when Mr. Muller came to this capital to arrange the payment of the credits referred to, he was attended to with every efficacy and opportunity, inasmuch as his legal paper was examined without delay the moment it was presented; that if the amount of his claim was not satisfied, this is owing in part, that some of his credits were not proved, and that there is no legitimate authorization to pay others as is expressed in continuation, and that the payment of others was being made according to bases fixed for the same class of creditors, respecting which he was asked if he admitted them, without his having replied thereto, there being, therefore, no foundation for assuring that he had come to this capital without having succeeded in arranging for the payment of his credits because of the Government

1327. According to Article 119 of the Constitution, the Executive can make no payment which is not com-

1322 The success of various enterprises of Mr. Henry Muller proves that insecurity is not so great in Mexico.

1323. Attitude of Mr. Henry Muller during the political disturbance, and the consideration with which he was treated.

1324. The assertion is exaggerated that loans to \$50,000 were imposed on Mr. Henry Muller, and that he has not been paid.

1325. Part of the sum claimed by Mr. Muller belongs to the State of Chihuahua to pay.

1326. It is not true that by reason of delays Mr. Muller did not succeed in the arrangement and payment of his credits.

1327. Necessity of a law to authorize the payment of credits proceeding from the revolution of Tuxtepec.

prehended in the estimate or in posterior law. The payment of the credits proceeding from the Revolution of Tuxtepec has not yet been authorized by the General Congress, for although various projects have been presented for authorizing it, and even when, in the last period of sessions an approval of a proposed law respecting it was arrived at by both houses, the Executive was under the necessity of making observations upon it December 20th, 1878, which were published in the *Diario Oficial*, of the 25th of the same month. By virtue of these observations the proposed law will return to Congress and will have to be discussed and approved again by both Houses, in order to have the force of law, Congress will not open its session again until the 1st of April next, there being, therefore, up to this time no legal authorization to make the said payment.

1328. With the object of facilitating the work previous to the recognition and payment of the said credits, the Executive determined, since June 18th, 1877, to establish in the Treasury Department a Section of Liquidation, charged to receive, examine and substantiate the legal papers of claims proceeding from the Revolution of Tuxtepec. With this object the regulation of the said date was issued, which contains substantially the provisions of the law of November 29th, 1867, issued by the Federal Government, for the recognition of credits proceeding from the European intervention in Mexico. It appears clear that the condition of this revolution of Tuxtepec could not exact that they should be treated with more favorable conditions than those who made supplies to the National Government to defend the independence of the country during the French intervention.

1229. The Section of Liquidation has been discharging its functions since June 18th, 1877, up to date, subject to what Congress may determine about the credits emanated from the revolution of Tuxtepec. The part of the legal paper of Mr. Muller in reference to the credits of the said revolution; it has already been seen what was the opinion of the section; and that Mr. Muller preferred to withdraw his vouchers, probably with the intention of presenting them in the form of a diplomatic claim, without complying with the provisions of that regulation. If it has not been possible to terminate the arrangement and recognition of this part of his credit, it is in nowise owing to any omission or fault of the Mexican Government.

1330. After these explications, it does not appear grounded to Mr. Muller's as an example of the little justice of the Mexican Government towards its creditors. Is it believed that the Mexican Government ought to pay the obligations of the States? Is it believed that it can pay for the supplies made to revolutionary movements before the payment of these is approved by Congress, and without the interested presenting the corresponding justification? Is it believed that respecting those of which the payment is authorized by the laws, special bases ought to be established for the payment of each credit separating it from the general bases ordered for the payment of all?

B. Case of the Schooner "Dreadnaught" and Pailebot "Montana," arrived at Mazatlan in 1877.

1331. The second special case mentioned in the Report, to demonstrate the insecurity which prevails in Mexico, is that of the United States vessels "Dreadnaught" and "Montana" arrived at Mazatlan, the former, January 4th, 1877, and the latter, the 8th of February following.

1332. In order to duly examine what occurred in these two cases, the following points will be considered here:

- a. Text of the Report respecting the vessels "Dreadnaught" and "Montana."
- b. Report of the War Department respecting the case of the Schooner "Dreadnaught."
- c. Report of Sr. Adrian Busto respecting the Schooner "Dreadnaught."
- d. Relation of facts occurred with the "Montana."
- e. Consequences flowing from the preceding facts.
- f. Modification of the Mexican laws on account of the case of the "Montana."

1328. Section of liquidation for examination, and substantiation of the legal papers of claims of the revolution of Tuxtepec.

1329. It is not the fault of the Government that it has not been able to terminate the arrangement of the credit of Mr. Muller.

1330. The case of Mr. Henry Muller does not prove that Mexico acts with little justice towards its creditors.

1331. The Report presents the cases occurred with the vessels "Dreadnaught" and "Montana" as a proof of insecurity.

1332. Points to be considered relative to the cases of the vessels "Dreadnaught" and "Montana."

a. Text of the Report Respecting the Vessels "Dreadnaught" and "Montana."

1333. In reference to the case of the United States vessels "Dreadnaught" and "Montana," the Report says, as follows:

"In the autumn of 1876, when the Presidency of this country was disputed by three different persons, an American vessel sailed from San Francisco, with a cargo for Mexican ports. The first point it was to touch at was Mazatlan, but in view of the state of revolution of the country, she had instructions not to enter the port, without receiving notice from the consignees that the city was at peace.

"The vessel drew near to the port precisely when the forces of Lerdo surrendered to those of Iglesias, and when these, in their turn, were threatened by those of Diaz. Having signaled her arrival, she kept in the open sea to await instructions; but her movements having been perceived by the employees of the custom-house, who feared the city would fall into other hands before they had a chance to collect the duties, they ordered a steam gunboat, which, with another, constitutes the Mexican armada on the Pacific, to seize her and take her into port immediately. The gunboat stopped her by firing a cannon at her stern, and in spite of the protest and representation of the captain, with the American flag floating at her mainmast, on the high seas, she was seized and carried by force to the port, and her cargo was discharged, opportunely, for the inter-reigning government to receive the duties. The captain of the vessel and the American Consul protested against these proceedings in writing. When our Government asked reparation, that of Mexico, after obtaining from the local authorities a report on the subject, replied, that it was informed, that as the Mexican steamer was navigating along the coast, it came across the American vessel becalmed to one side of the bay of Mazatlan; and that, at the petition of the captain, and as an especial favor to him, it towed her into port. And this is the only satisfaction given for the capture of an American vessel on the high seas, and under the American flag. A month after this, another American vessel was seized in the same port on a specious pretext, and, notwithstanding that the Minister of Finance in this capital, who revised the subject, gave order that she should be unconditionally released, the cargo destined for foreign ports was discharged and confiscated; and a similar circumstance took place a few months after, refusing all reparation for these injuries to our commerce.

b. Report of the War Department Respecting the Case of the Schooner "Dreadnaught."

1334. The War Department, in its Report, already mentioned, (paragraph 1332,) said, respecting the schooner "Dreadnaught," as follows:

"Mexican Republic—Department of War and Marine.—Section 1st.

"Paragraphs 96 and 97. It is a fact that, at the period to which these paragraphs refer, there arrived at Mazatlan an American vessel rigged as a 'paileboat,' and which attracted the attention of the authorities of the port by remaining within sight of it for several days, without entering. In consequence, General Valle, then Commander-in-Chief of the steamer of the Pacific, ordered the steamer 'Democrata,' which he was aboard of, to go out and reconnoitre the pailebot, and see what it meant; and not having found anything in it that could give rise to suspicion, the 'Democrata' would have returned alone, had not the captain of the said pailebot begged General Valle to tow him up to the port, as he was becalmed, which was done as a special favor to the said captain, and not as an attack on the American flag.

"All of which I communicate to you, in answer to your note, already cited, for the purpose it expressed.

"Liberty and Constitution. MEXICO, January 14th, 1874.

(Signed)

GONZALEZ."

"To the Secretary of Finance and Public Credit.—Present."

c. Report of Sr. Adrian Busto respecting the Schooner "Dreadnaught."

1335. Sr. Adrian Busto, who was Administrator of the Mazatlan Custom-House, when the schooner "Dreadnaught" arrived at that port, having been asked for information, he rendered the following report of what occurred in this case:

"Chief of the Bureau of Adjustments of the Treasury Department.—To the Secretary of the Treasury:

"In compliance with your preceding order, dated to-day, that the subscriber should report on what he may know about the apprehension of the American vessel "Dreadnaught," referred to by Section 1st of this De-

1333. Statement made by the Report of events happened to these vessels.

1334. Report of the Department of war and Marine on the case of the schooner "Dreadnaught."

1335. Report of Sr. Adrian Busto on the case of the schooner "Dreadnaught."

partment, in relation to the points which the Hon. John W. Foster, Minister Plenipotentiary of the United States to Mexico, believed to find in it, in the Report he addressed, October 9th, 1878, to Mr. Carlisle Mason, President of the Manufacturers' Association of Chicago; I have the honor to state to you the following :

"The schooner 'Dreadnaught,' as I recollect, and as appears by the Register No. 37, on file in this Department, arrived at Mazatlan January 4th, 1877, having sailed from San Francisco, California, December 22nd, 1876, with only a cargo for Mazatlan, and not for any other Mexican port; it being untrue that the employees of the custom-house had sent a steam gunboat to sea to seize her and take her into port, for the subscriber being the Administrator of the custom-house, the only one who could have given the order, did not give it, and could not give it, as well because the vessel was on the high seas as for the reason that the said Mexican gunboat was not at the disposal of the custom-house, being under commission of war, and depending exclusively on the Admiral of the National Armada on the Pacific. Respecting as to whether or not the schooner in question was seized on the high seas by the Mexican gunboat, the subscriber had no knowledge of that fact, there having been at that time no complain communicated to the custom-house, either from the captain of the said schooner, nor from the commander of the American war steamer 'Lackawanna,' nor from any of the consignees of the merchandise brought; but rather these and the captain of the said schooner came freely and openly, asking for the discharge and dispatch of the goods. The assertion about the fears which, according to the Report, (if it refers to the said schooner,) were entertained by the custom-house employees, that the city of Mazatlan would fall into other hands before they had a chance to collect the duties on the goods brought by the said schooner, as a motive for ordering her seized, is a supposition, both because in those days, when the entry and dispatch of the vessel took place, the port was at peace, and because, the duties belonging to the revenues of the nation, they had no interest, nor could they prevent that the duties of a vessel on the high seas, without any suspicious appearance, should be availed of by one or another Mexican authority that might be established in that locality by deed or by right.

"Regarding the pailebot 'Montana,' spoken of in the said report of Section 1st, I cannot inform you, for the said pailebot anchored in the port of Mazatlan February 9th, 1877, as appears from the register No. 46, on file in this Department, after my exit, which took place January 23d of the same year, in consequence of the political events which happened at the middle of the month, and after the despatch of the schooner 'Dreadnaught.'

"Accept my regards.

ADRIAN BUSTO."

"MEXICO, January 7th, 1879."

d. Statement of Facts Occurred with the "Montana."

1336. A brief relation of the facts occurred respecting the United States pailebot "Montana" will be the best means of showing that the Mexican Government does not merit the censures which the Report addresses to it, for its conduct in this case.

1337. In the afternoon of February 8th, 1877, the United States pailebot "Montana," 92 tons, Captain C. Anderson, anchored in the port of Mazatlan, proceeding from San Francisco and La Paz, with 33 passengers and a cargo of foreign goods, part destined for the mentioned port, and the rest for the Central American ports of Champerico and San Jose de Guatemala. Of this the Mexican Custom-House already had previous notice by a remittance from Le Paz, of the manifest or notice of the effects which said vessel was carrying to Guatemala, advising that such notice was given because some abuse might be committed by landing the effects unlawfully on the Mexican coast.

1338. The chief Revenue officer of Mazatlan having made the corresponding visit to the "Montana," it resulted that she was bringing outside of her manifest 349 packages, which her captain said were destined for Champerico and San Jose de Guatemala. In view of this report of the Revenue officer, the Administration ordered, on the 14th of the same month of February, that the effects cited should be discharged and deposited in the warehouses of the custom-house.

1339. By telegrams of the 13th and 14th of the same month, the Mazatlan Custom-House brought to the knowledge of this Department what had occurred. In the second it reported, besides, that the United States Consul, resident in that port, has presented himself, stating that if the order was carried into effect, Captain Anderson would abandon his vessel, and the Consul would protest against the said order as unjust, for the same

1336. The Mexican Government does not merit censure for its conduct in the case of the pailebot "Montana."

1337. The "Montana" cast anchor in Mazatlan February 8th, 1877, with a cargo for said port and for Guatemala.

1338. Discharge and deposit of 349 packages arrived without manifest and destined for Guatemala.

1339. The Mazatlan Custom-House informed the Treasury Department on what had occurred with the "Montana."

vessel, in a voyage it had made in August, 1873, carried effects to Central America, and no observation was made about it. In regard to this point the Administrator informed this Department that the fact was true, for on that occasion security was exacted and there was in the respective manifest an explanatory note by the Mexican Consul of San Francisco, while in the present case there was no note whatever, nor did the bills of lading, presented by Captain Anderson, cover all the cargo, nor were they, therefore, sufficient to make inapplicable the prescriptions of the tariff.

1340. On the 17th of the same month of February, 1877, the United States Consul in Mazatlan, addressed an official communication to the Administrator of the custom-house, stating that, at the instance of the captain of the "Montana," he solicited permission for the exit of the said vessel, bound for San Jose de Guatemala, and that if said permission were not granted the captain would abandon the pailebot, from this proceeding being contrary to international law and to the contracts existing between Mexico and the United States. The protest of Captain Anderson is dated February 15th, and in it is set forth, among other things, that the detention of the "Montana" originates grave damages to the owners of the mentioned effects, as well as to the captain and proprietor of the vessel.

1341. To the solicitation, as well as to the protest referred to, the Administration of the custom-house replied, that permission for the "Montana" to proceed on her voyage was not denied, but that to grant it it was necessary to comply with the law, exacting the respective security, in order to assure the fiscal interests, which security, it appeared, that Mr. Farber, the agent of the vessel, could not obtain; and that at all events, before being able to do otherwise, he was awaiting the resolution of the Federal Government, which he had informed of what had occurred.

1342. On the 22d of February, 1877, the Administrator of the Mazatlan Custom-House addressed a communication to this Department, in which he made further explications on this matter, accompanied with a part of the legal paper. From this explication, it appeared that the captain of the "Montana," wishing to avoid the payment of double import duties, which are imposed on merchandise outside of the manifest, in conformity with Part II. of Article 8 of the Tariff in force, caused them to be put down in the list of ship supplies, saying they were destined for ports of Central America. The Administrator manifested that he did not believe such excuse to be legal, for it is not natural that a barque of 92 tons, with a crew of five individuals, should need 349 packages for their supplies; and that the transit, which was pretended was expressly prohibited by the last part of Article 2d of the tariff of June 1st, 1853, which is not opposed to that of January 1st, 1872, which was then in force. He added, that with the accord of the American Consul he acceded to suspending the discharge of said effects, whilst this Department decided, on the advice contained in his telegram of the 14th, that he did not pretend to detain the goods unjustly, but only to assure the fiscal interests.

1343. This Department replied to the two telegrams of the Mazatlan Custom-House the same day they were received, which was the 28th of the same month, stating that if it had proceeded in the discharge of the 349 packages, or had done it in contravention of the determination of this same Department of January 11th, 1875, and that, consequently, it should amend, as far as possible, what it had done, it being noticeable, as will be shown afterwards, that it fell into a mistake in supposing that the order of that date had been communicated to the custom-houses of the Pacific.

1344. The communication of the Mazatlan Custom-House, addressed to this Department, February 22d, 1877, was answered April 3d following, stating that no reason was found for varying the opinion expressed on this point in the telegram of February 28th previous, for since the tariff of January 1st, 1872, commenced to be in force, the ordinance of January 31st, 1856, was derogated, as well as the tariff of June 1st, 1853, and that, consequently, the Department sustained its anterior resolutions relative to the "Montana."

1345. On March 15th, 1877, a telegram was received from the same custom-house, in which it asked advice as to whether or not it should exact of the captain of the "Montana" a manifest and consular invoices to cover the merchandises which he said were destined to foreign ports, referring to the circular of July 8th, 1874, and to the articles 24, 29, 30, 31 and 35, of the tariff in force. This Department replied, that the "Montana" did not

1340. Intervention of the United States Consul in Mazatlan February 17th, 1877, in the case of the "Montana."

1341. Reply of the Administrator that the vessel could not continue on its way without complying with the requisites of the law.

1342. Further explications given to the Treasury Department February 22d, 1877, by the Mazatlan Custom-House.

1343. The Treasury Department disapproves the proceedings of the Mazatlan Custom-House and orders them amended.

1344. Confirmation by the Treasury Department of its opinion on the case of the vessel "Montana."

1345. The Treasury Department decides that the "Montana" does not need a bill of lading for a foreign port.

need documents of lading for foreign ports, and that the custom-house should limit itself to watching, to prevent the clandestine discharge of said effects.

1346. In a telegram of March 23d, 1877, this Department notified the Mazatlan Custom-House to report in detail what had taken place in this business, besides to comply with the orders which had been communicated to it by telegraph, but, before the Administrator received this telegram, he had consigned the business since the 9th of March, to the District Court of Sinaloa, stating that it had taken this determination, because the captain of the "Montana" had decided to abandon the vessel and go to San Francisco, without waiting for the resolution of the government not yet received. In fact, it remitted to the court the relative legal paper said custom-house had formed. In reply to that telegram, this Department repeated what it had said on March 15th, 1877, that is to say, that the "Montana" had no need of bills of lading for foreign ports, adding that this resolution be brought to the knowledge of the District Court.

1347. In view of the relative legal paper, the said District Judge ordered, on March 13th, to proceed in the discharge of the 349 packages, to deposit them in the warehouses of the custom-house, remitting to the proper court a notice of their examination and rating. By virtue of this order, the discharge of the effects was proceeded with, the customs officer making the examination, rating, and appraisal of them, which documents appears in the legal paper.

1348. In an official communication of March 19th, 1877, the Mazatlan Custom-House reported to this Department, that the agents or those interested in the merchandise of the "Montana" are the same of the vessel "Eustace," which came in the same way from San Francisco to Magdalena and La Paz, which were put in force, the penalties incurred by having brought effects outside of the manifest, as well as the thirty cases of tea and the four bags of cinnamon which the American schooner "Dreadnaught" brought outside of the manifest; the said Administrator adding, that in his conception the interested had wished to protect their merchandise be means of protests, so that, when the chance offered, they could introduce them clandestinely.

1349. On the 20th of March, 1877, the Administrator of the Mazatlan Custom-House addressed a communication to this Department, acknowledging receipt of the note from this same Department of February 28th previous, in which was inserted the telegram of the same date. He stated, that the telegraphist had made a mistake putting the word *marcar* (to mark) for *sacar* (to take out); that there is not existing in the custom-house, nor in the Treasury office, the order of January 11th, 1875, and for that reason he could not fulfill it; but that he believes that in entire harmony with that order, the goods in question have incurred the penalty set forth in the tariff, for they came without manifest. He cites as a precedent in his support, what happened with the vessel "Eustace" in La Paz, as well as the circular of November 8th, 1872, which says imperatively, that foreign goods in transit through the Republic must come accompanied with the respective manifests and consular invoices; that the most recent circulars as those of January 11th, 1875, and February 28th, 1877, provide that the documents authorizing foreign goods in transit, must be deposited in the maritime custom-houses, and that this requisite not having been complied with in the case of the "Montana," he believes to have proceeded rightly in consigning the said cargo to the District Judge for his decision."

1350. On the 21st of March, 1877, the Administrator of the Mazatlan Custom-House, reported respecting a communication, which the preceding Administrator addressed to the District Judge, dated January 26th, 1877, consigning him thirty cases of tea and four bags of cinnamon, which the American schooner "Dreadnaught" brought outside of the manifest, said to be destined for Champerico, but without having presented the corresponding documents. The Administrator cited this case to show that whenever a cargo arrives without manifest, although in transit, it has always been consigned to the District Judge. He inserted, also, in his support, a copy of an official communication from this Department, dated February 6th, 1876, in which the proceedings of the La Pays Custom-House were approved in an analogous case, in which, also, some effects came on board the Eustace, outside of the manifest destined for Guayaquil.

1351. The Administrator of the Mazatlan Custom-House, addressed, besides, on March 28th, 1877, another official communication to the District Judge of the same State, in which he makes some explications relative to

1346. Consignment of the business to the District Court of Sinaloa by the Administrator of the Mazatlan Custom House.

1347. Order of the District Judge of March 13th, 1877, ordering discharge, deposit and examination of the 349 bultos.

1348. The Administrator of the Mazatlan Custom-House compares the case of the "Montana" with two other previous ones.

1349. Communication of the Administrator of Mazatlan of March 20th, 1877, explaining the motives of his conduct.

1350. Report of the same of March 21st, 1877, on the cases of the vessels "Dreadnaught" and "Eustace."

1351. Official communication of the same Administrator to the District Judge of Sinaloa of March 28th, 1877.

the difference which ought to be observed between effects coming on board of the Pacific and Colorado steamers destined for foreign ports, and those brought by sailing vessels that are not comprehended in the respective contracts. He added, that effects in transit must not be authorized by individual manifests, or lists of supplies, but by consular invoices, as provided by law. He referred again to the case of the "Eustace," in support of his conduct, observed, respecting the "Montana," and asked that the consignment made by his predecessor to the same court, of merchandise brought outside of the manifest, by the American schooner "Dreadnaught," might appear in evidence.

1352. On April 2d, 1877, the Administrator of the maritime custom-house of Mazatlan, rendered to this Department a detailed report on this subject, in which he related the circumstances of the case, defended his mode of proceeding, and stated that if, in the telegram of February 28th, the liberty of the goods come outside of the manifest, had been ordered in the same terms as those contained in that of the 15th of March, the affair would have ended there.

1353. In April 28th, 1877, this Department said to the Mazatlan Custom-House, that it did not consider it necessary that vessels arriving at our ports with foreign goods, in transit, for foreign ports, should bring consular invoices and manifests; that the documents covering the goods ought to be deposited in the custom-house, and vigilance redoubled in these cases.

1354. The District Judge of Mazatlan gave his decision on this subject, on April 13th, 1877, declaring that the Administrator of the custom-house, D. Augustin Migoni, had not incurred any responsibility, and ordering the 349 packages mentioned, to be returned to Captain Anderson, without the latter having right to claim costs, injuries or damages, nor to require that they should be sent to the place of their final destination at the cost of the Government. This sentence was confirmed, in all its parts, by the Circuit Court of Mazatlan, August 4th, 1877, and order was issued accordingly.

e. Consequences Resulting from the Statement of Facts in Reference to the "Dreadnaught" and "Montana."

1355. In order not to confound the facts in reference to each one of the mentioned United States vessels arrived at Mazatlan in January and February, 1877, each one of them will be spoken of separately.

§. Case of the Schooner "Dreadnaught."

1356. On account, probably, of the political tumults occurred in Mazatlan, in January, 1877, when the schooner "Dreadnaught" arrived at that port, which are referred to in the Report, there are not in this Department exact data of what took place with said vessel, though they ought to be found, rather, in the War Department. To fill, therefore, this vacancy, information was asked respecting this case of Sr. Adrian Busto, who then filled the office of Administrator of that maritime custom-house, whose report has been already inserted.

1357. In the legal paper of the "Montana," it appears that the District Judge of Sinaloa decreed, on April 26th, 1877, in the case of the "Dreadnaught," declaring that 30 chests of tea and 4 bags of cinnamon, which she brought from San Francisco destined for Champerico, had not incurred the penalty of paying triple duties; that the said effects must be returned to the captain of the vessel or to his legal representative, the rights of the latter being good against the ex-administrator of that maritime custom-house, Sr. Adrian Busto, for costs, injuries and damages he might have suffered.

1358. It appears, also, from the same legal paper that the Circuit Court of Mazatlan decreed definitely on this matter, on August 16th, 1867, confirming the sentence of the first instance, as far in as it declared that the 30 chests of tea and 4 bags of cinnamon had not incurred the penalty of triple damages, and revoking it, in the part touching upon the responsibility of the administrator, Adrian Busto.

1359. But this is only an incident in the case of the "Dreadnaught" and respecting the principal part the Department of Foreign Affairs said to that of the Treasury, in its memorandum already cited (paragraph 1302), as follows:

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- 1352. Detailed report rendered by the Administrator of the custom-house to the Treasury Department April 2d, 1877.
 - 1353. Instruction given by the Treasury Department to the Mazatlan Custom-House April 28th, 1877.
 - 1354. Decision of the District Judge of Sinaloa, in the matter of the "Montana" confirmed by the Circuit Court.
 - 1355. Each one of the cases cited of the vessels "Dreadnaught" and "Montana" will be spoken of separately.
 - 1356. Motive wherefore information was asked of Sr. Adrian Busto on the case of the vessel "Dreadnaught."
 - 1357. Decree of the District Judge of Sinaloa April 26th, 1877, in favor of the captain of the schooner "Dreadnaught."
 - 1358. Decree of the Circuit Court of Mazatlan absolving Sr. Adrian Busto from responsibility.
 - 1359. Fragment of the Memorandum of the Department of Foreign Affairs relative to the case of the "Dreadnaught."

"In continuation, Mr. Foster refers to the cases of the 'Dreadnaught' and 'Montana,' which proved to be attempts at smuggling, and were submitted to the judicial authority which dictated its decree according to the laws. In the first of these cases, the captain having fled as soon as the process commenced, and General Valle, who was commanding the squadron, being dead, the investigation could not be concluded, which was ordered on the fact of the towing of that vessel into the port."

§§. *Case of the Pailebot "Montana."*

1360. It must be borne in mine, in reference to this case, that it appears clearly demonstrated, from the preceding statement of facts, that the Administrator of the Mazatlan Custom-House was in his right to proceed respecting the "Montana" in the terms which he did; inasmuch as, according to the provisions of the tariff in force, a vessel could be in no wise authorized, still less a sailing vessel, to bring to a Mexican port goods in transit destined for foreign ports; that on January 11th, 1875, mail steamers coming to Vera Cruz were authorized to carry on that trade, exacting, in the interim of their return to sea, or concluding their discharge, that they should keep deposited in the custom-house the documents covering the effects destined to other countries; that this provision was circulated to the custom-houses of Tampico, Tuxpam, Campeche and Progreso, at which ports the mail steamers touched, wherefore this privilege was extended to those custom-houses; but that it was not extended to the other custom-houses of the Gulf, nor to any on the Pacific; that, therefore, the Administrator of the Mazatlan Custom-House had no knowledge of the provision of January 11th, 1875, on February 8th, 1877, the date of the arrival of the "Montana," at that port. This is for what applies to the conduct of the Administrator of the Mazatlan Custom-House respecting the "Montana."

1361. In what relates to the Government of Mexico, it must be called to notice that it showed all the earnestness and solicitude possible in the case of the "Montana." No sooner did it know of it, on February 28th, 1877, the day the telegrams were received which that custom-house sent on the 13th and 14th, than it ordered that the effects should not be disembarked, and the vessel should not be molested on that account; these same orders were repeated in various subsequent telegrams and communications; not satisfied with this, it issued the circular of this Department, No. 3, of February 28th, 1877, in which it extended to all the ports of the Republic the determination of January 11th, 1875, to the end that no obstacle or difficulty might be placed in the way of vessels arriving at our ports bringing articles of commerce for these, and at the same time for other foreign ports, recommending custom-houses to have due vigilance; and respecting the effects destined for foreign countries, to keeping the documents covering the merchandise in the custom-house, to the end of returning them on the exit of the vessel for their final destination, although assuring inexactly that such disposition had been circulated previously to all the maritime custom-houses of the Republic.

1362. It must be borne in mind, that the great contraband trade carried on through the Pacific ports of the Mexican coast is proverbial, from the reason that the coast of that sea is much more extensive than that of the Gulf of Mexico, and relatively less populated than the latter. A regular system of smuggling has been organized, which consists in a combination of signals to the vessels bringing merchandise to the said coast. These approach some of the Pacific ports; they make some signals previously agreed upon, understood by the house of the consignees, and the latter, in its turn, replies with other signals. If the landing of the goods is easy, either at the port on a lonely part of the coast, the discharge is made; and if not, the vessel retires, to return again on a more propitious occasion. This system of contraband trade, perfectly well organized, causes the customs employees to be vigilant, and even suspicious respecting vessels which approach the port, without immediately entering it.

1363. To recapitulate, the following appears to be demonstrated from the effects occurred respecting the United States pailebot "Montana:"

1st. That the Administrator of the Mazatlan Custom-House, having no notice of the dispositions of January 11th, 1875, and having in view the precedents of the "Eustace" and the "Dreadnaught," he proceeded, as he believed to be his duty, in exacting the discharge in Mazatlan, as a measure of security to prevent fraud, of the effects brought by the "Montana" for foreign ports.

2nd. That with the object of proceeding with all justice in this case, he submitted the affair to the action of the Federal courts, which decided definitely, exculpating the Administrator of that custom-house from all responsibility.

1360. Foundation for the conduct of the Administrator of the Mazatlan Custom-House in the case of the "Montana"

1361. Earnestness of the Mexican Government that the pailebot "Montana" should not be molested.

1362. Suspicion of the Administrator of the Mazatlan Custom-House that the "Montana" was trying to smuggle.

1363. Summary of facts occurred respecting the United States pailebot "Montana."

3rd. That the Mexican Government, as soon as it had notice of the events of the "Montana," ordered that that vessel should not be molested in any wise, but permitted to continue her voyage with the cargo destined for Central America, and that, if its orders were not complied with immediately, this was owing partly to the circumstance that the telegraph does not yet reach to Mazatlan, and to accidental interruptions of the part constructed, and partly from the fact the telegrams of this Department were changed on being transmitted, and were not left duly clear.

4th. That the Mexican Government, with the object of avoiding ulterior difficulties similar to those of the "Montana," has modified with the greatest liberality the fiscal dispositions respecting the arrival to Mexico of vessels with cargo destined for foreign ports.

5th. That, therefore, far from the case of the "Montana," serving to demonstrate the dangers to which citizens of the United States are exposed, who trade with Mexico, it justifies the good will that the Mexican Government has to get over all the difficulties that may present themselves in practice to the enlargement of that commerce.

f. Modification of the Mexican Fiscal Laws by reason of the case of the "Montana."

1364. The incident of the "Montana," contributed as has just been indicated, to cause some important modifications in the fiscal laws of Mexico respecting foreign vessels bringing goods to Mexican ports in transit destined for foreign countries. On September 8th, 1877, circular No. 33 was issued by this Department, which contains a regulation for commerce done by steam vessels in Mexican ports, for all the previous tariff provisions on this point, referred to sailing vessels, and comprised provisions that were very difficult of application respecting steamers, occasioning frequent difficulties and detention of the said vessels.

1365. In Arts. 7, 8, 9 and 10, of that regulation, it was ordered that steamers bringing effects for Mexican ports, and at the same time for foreign ports, they should bring a manifest authorized by the respective Mexican Consul or commercial Agent, in which should appear the portion of goods destined for Mexican and foreign ports.

1366. On December 18th, 1877, by means of a circular of this Department, No. 47, the said articles were modified, simplifying the work of the captains of the vessels, for, by this, they are duly required to present a notice of all the effects they bring for Mexican ports, specifying what they bring for each one of them.

1367. Finally, on April 11th, 1878, this Department issued a circular, No. 74, which authorized since August 1st following, sailing vessels to carry on the transit trade, subjecting them to the regulations of September 8th, 1877.

1368. As in the said circular of April 11th, 1878, all the provisions of the Mexican laws on this point, are stated in detail, applicable to the case of the pailebot "Montana," it is thought proper to insert it in continuation. It says as follows:

"Department of State for the Finances and Public Credit. Section 1st. Circular No. 74.

"The tariffs that have been in force until now in the Republic, have been issued for sailing vessels for trade by steamer, is of relatively recent use. In the two first, that is, in that of December 15th, 1821, and in that of November 16th, 1827, no foreign vessel was permitted to bring merchandise, except from one sole foreign port to one sole Mexican port.

"That of the 11th of March, 1837, then authorized in its 17th Article, that merchandise could come from various foreign ports to one sole Mexican port. The tariff of April 30th, 1842, on prohibiting foreign vessels from carrying on transit or coasting trade, authorized them to touch in another Mexican port, different from that in which they discharged, though, for the sole object of loading national effects destined for exportation.

"Art. 2d of the tariff of September 26th, 1843, prohibited every vessel, whether foreign or national, from bringing foreign effects to more than one Mexican port, and punished the infraction of that prohibition with the penalty of confiscation of the vessel and of the effects destined to the same port; but, in its 105th Art., whilst it prohibited foreign vessels from carrying on the transit and coasting trade in Mexican ports, it authorized them on

1364. Liberal modification of the Mexican laws, made in view of the case of the "Montana."

1365. The regulation of September 8th, 1877, obliges vessels to bring a manifest for effects in transit.

1366. Liberal modification of the regulation of September 8th, 1877, by the circular of December 18th, of the same year.

1367. Authorization of sailing vessels to carry on transit trade by the circular of April 11th, 1878.

1368. Text of the circular of April 11th, 1878.

the conclusion of their discharge at their port of destination, to take national effects in any Mexican port authorized to carry on export or coasting trade.

"These same provisions were repeated in Articles 2 and 110 of the tariff of October 4th, 1845. The like prohibitions and authorization were reproduced in Arts. 2 and 100 of the tariff of June 1st, 1853.

"The tariff of January 31st, 1856, was the first that spoke of steamers, although only to accord them better terms respecting the payment of duties on tonnage (Article 3, fraction II.). In its 18th Article it permitted foreign vessels, either sail or steam, after their discharge at their port of destination, to pass to some other Mexican port of export or coast trade, to take passengers and correspondence only. Fraction V. of Article 21, authorized, moreover, foreign vessels to bring cargo for two or three Mexican ports. Fractions V. and IX. of Article 3d, preserved the authorization of foreign vessels to load national effects at one or more Mexican ports of export or coast trade.

"The tariff of January 1st, 1872, though preserving relatively high duties, contains more liberal measures for exterior commerce than any of the preceding ones. In fractions II. and V. of Article 6th, the privileges of the preceding tariff in favor of steamers was preserved as regards the duties of tonnage, and the 8th granted them other new ones. Article 45 especially authorized foreign vessels to bring cargo for two or more Mexican ports. The 49th authorized them to carry the mails and passengers from one Mexican port to another. The 79th, to touch at any point on the coast, even though not a place of export or coast trade, to take in national effects, for the purpose of facilitating their exportation; and the 77th authorized the transit of foreign goods across the territory of the Republic.

"Mail steamers coming frequently to Vera Cruz with cargo for foreign ports, besides what they brought for our own, this Department determined, on January 11th, 1875, to permit them to carry on the transit trade, on the terms expressed in the adjoining document, marked No. 1. This determination was circulated on the same date to the custom-houses of Tampico, Tuxpam, Campeche and Progreso, at which ports the steamers touched, to which these privileges were granted, and it was transmitted, besides, to the Department of Foreign Affairs, and to the Consul of the Republic at New Orleans, without its being communicated to any of the custom-houses of the Pacific.

"On February 28th, 1877, this Department issued a circular, a copy of which accompanies, marked No. 2, in which the disposition of January 11th, 1875, was extended to all the ports of the Republic, asserting inexactly that it had been circulated to all the maritime custom-houses, when it had only been communicated to some of those of the Gulf. In both dispositions it was determined that the cargo in transit should be covered by certain documents.

"With the object of making uniform the provisions of these regulations, in all the ports of the Republic, the said provision was comprised in the regulation of this Department for the trade of steamers in Mexican ports, which it issued September 8th, 1877, and circulated on the same date, under the No. 33. In Articles from 7 to 10, of said regulation, transit trade is authorized, and the requisites are established by which this must be done, and the penalties incurred by the infractors of the same regulation. A copy of the said Articles accompanies, under the No. 3.

"The President, wishing to extend these liberal dispositions to the sailing vessels coming to our ports, has been pleased to order, in exercise of the authority granted him by the law of December 12th, 1872, the following dispositions.

"1st. From August 1st, 1878, sailing vessels touching at Mexican ports, are authorized to carry on transit trade; that is, to bring, besides the foreign goods destined for Mexican ports, others destined for foreign ports.

"2d. Sailing vessels, doing transit trade, shall be subject, as regards foreign goods destined for foreign ports, to the provisions 7th, 8th, 9th and 10th of the regulation for the trade of steamers of September 8th, 1877, contained in Circular No. 33 of this Department.

"And I communicate it to you for your fulfillment.

"MEXICO, April 11th, 1878.

"ROMERO.—To...."

C. Events Occurred in Acapulco in February, 1877.

1369. The events occurred in Acapulco in February, 1877, has also some complications, because treating of

1369. Points to be examined relative to the property of Mr. Kastan and the imprisonment of Consul Sutter in Acapulco.

various incidents, the principal being in reference to the property of Mr. Rastan, and the putting of Mr. Sutter, the Consul, in prison. In reference to the said events, the following points will be examined :

- a. Text of the accusation contained in the Report.
- b. Report of the Department of Foreign Affairs on the imprisonment of Consul Sutter.
- c. Report of the War Department on the same subject.
- d. Fragment of the manifest of General Vicente Jimenez, respecting the event of Acapulco.
- e. General considerations on diplomatic claims.
- f. Summary of the provision of Mexican laws in reference to the power of foreigners to acquire real estate.
- g. Statement of what occurred in Acapulco respecting the property of Mr. Rastan.
- h. Arrangements celebrated by the Mexican Government with Mr. Rastan.
- i. Considerations resulting from the preceding facts.

a. Text of the Accusation contained in the Report on the Events of Acapulco.

1370. With reference to the events of Acapulco, the Report says as follows :

"During the past year, the Revolutionary Chief of Diaz, in the State of Guerrero, through a manifest spirit of revenge, took and tried to confiscate the personal property and three valuable "haciendas" (farms) of an American merchant of Acapulco. The American Consul of that port protested against this proceeding, and he was arrested immediately afterwards on the public street by a band of armed soldiers, and put in prison, where he was retained for two weeks, with the object, as the Revolution General said, of frightening the Consuls, and making them use a more measured language with him. The Consul was called before a tribunal, constituted by the General, for an unfounded charge, from which he was completely acquitted by its Judge. The Mexican Government returned the American citizen his property, but it has imperatively refused to give any satisfaction, or acknowledge any responsibility for the arrest and imprisonment of the Consul."

b. Report of the Secretary of Foreign Affairs on the Imprisonment of Consul Sutter.

1371. Information having been asked of that Department on this incident, the following memorandum was received, which has already been spoken of (paragraph 1303), which, in the part referring to this subject, is as follows :

"The imprisonment of Consul Sutter in Acapulco, was occasioned by an attempted homicide on the person of Francisco Ayon Sutter, himself confesses the fact in the communication he addressed to the Consul-General of the United States in Mexico, in the following terms :

"ACAPULCO, March 10th, 1877.

"Hon. Julius A. Skilton, United States Consul-General in Mexico—Sir :

"I was myself arrested in the street by an detachment of twenty men, on the 5th instant, at 4 P. M., by order of the Prefect. On the 7th, at 9 A. M., I was carried before the Judge of the 1st instance, who informed me that I had been arrested on a criminal accusation against me, made in January last, in which I was shamefully threatened by a drunken man at the door of my house (at the blinds of the Consulate), with an enormous stone in each hand, and obscene words. I ordered him to retire or I should be obliged to call the police. He replied that he cared nothing for the police, and I being alone in my house at the time, for I had sent my servant on some errand, I went to my room, and from three pistols there were on my table, I chose the smallest (the smallest four-barrelled Sharp's), and with the intention of intimidating my aggressor, I fired, slightly wounding him on the head, retiring immediately.

"The detention of Sutter took place in the Capitular Hall, where he could dispatch his affairs, treating him with every consideration, and as soon as he gave the bonds the Judge asked of him, he was put at liberty. Sutter had also another cause pending, for injuries he inflicted on Miguel Verdiguél, which was not prosecuted, without knowing the motive."

c. Report of the War Department on the events of Acapulco.

1372. In the Report referred to of the War Department (paragraph 1302), there is said respecting the events of Acapulco, as follows :

1370. Text of the accusation contained in the Report on the events of Acapulco.

1371. Imprisonment of Consul Sutter for attempted homicide according to the memorandum of the Department of Foreign Affairs.

1372. Report of the Department of War and Marine, of January 8th, 1879, on the events of Acapulco.

Mexican Republic, Department of War and Marine. Section 1st.

"Paragraph 98. Touching what is stated in this paragraph, there is nothing appearing in this Department under my charge, than that the Consul Sutter protested against the appropriation of some bundles of hay, of the property of a Mr. Kastan, and for which appropriation the corresponding receipt was given him, and not for confiscation of estates, as is stated.

"In consequence of the wounds inflicted by Consul Sutter, in a quarrel, on Francisco (called *El Aguillo*), the civil authority ordered the imprisonment of Sutter, and the Government of the Republic is in its perfect right in not giving satisfaction, or accepting any responsibility whatever for that imprisonment, for even though this were a fact produced by the necessities of war, the Consul Sutter, had the character of any other citizen of that locality, according to Article 8th, of the 'Instructions to the United States Armies in Campaign,' which says thus :

"Art. 8th. The Consuls of the European and American nations are not diplomatic agents, notwithstanding their persons and their offices shall only be subject to martial law in cases of urgent necessity ; their property and individual affairs are not exempt. Any offence or crime they may commit against the dispositions given by the military authority, may be punished as those of any other of the inhabitants, and such punishment is no national foundation for any international complaint.'

* * * * *

"All of which I communicate to you, in reply to your note already mentioned, for the ends which I expressed.

"Liberty and Constitution. MEXICO, January 8th, 1879.

"GONZALEZ.—(A rubric.)

"To the Secretary for the Finances and Public Credit. Present."

d. Fragment of the Manifest of General Vicente Jimenez, respecting the Events of Acapulco.

1373. On a manifest which General Vicente Jimenez published on his return from Acapulco to this capital, in the middle of 1877, giving account of his conduct in that expedition, he says, in reference to what happened respecting Messrs. Kastan and Sutter, as follows :

"Mr. Henry Kastan is a ruined merchant of Acapulco, who has sought the means of growing rich by coluding with the politics of D. Diego Alvarez, and making himself his principal agent in the State, which is a notorious fact in the latter. Without referring to more distant periods, I will confine myself to recent events. Letters have been intercepted which I have in my possession, addressed to D. Diego Alvarez, by which is accredited the part he has taken in latter events. He was, besides the agent of Alvarez, to procure him arms and ammunition. Our forces captured 73 packages of war material, most of which had the mark of Kastan. Kastan was quite guilty, for on my entry into Acapulco, he, together with some other adherents of Alvarez, fled to Pouton. This person, who thus mixes in our disturbances to speculate with them, invokes his nationality when an endeavor is made to repress his excesses. I do not know in how many chapters the claim of Kastan will be founded, but as it must be notoriously calumnious, it will be easy to dispel it. I will relate two certain facts related with the first. Kastan has on the outskirts of Acapulco, a garden, in which there was grass ; the Prefect, in fulfilment of my orders, commanded that grass for necessary forage for the cavalry, should be taken of whosoever had it, giving them receipts, with which they were to apply to the paymaster's office ; some was taken from the garden of Kastan, as well as from other persons, and the corresponding receipt was given him ; if he did not present it at the paymaster's office, he must have it in his possession, and by it can be proved that the quantity of grass taken from him was a minimum amount. Later, the garden of Kastan was occupied, either to make effective the responsibilities that bore upon him as one of the agitators that had most co-operated with the politics of Sr. Alvarez, or to contain him, for, under the shadow of his American nationality, he had been one of the principal agents of the adherents of Alvarez. The occupation was rather nominal than otherwise, and it gave rise to a claim from Mr. Sutter, the United States Consul.

"Another fact related with Mr. Kastan, is that of a factory for ginning cotton, situated in La Sabana, four leagues from Acapulco. This factory is in operation every year from January to March, but this year it lacked work from the crop having been lost ; it was paralyzed when a force of cavalry of fifty men passed near to it ; these took the stubble necessary for the horses ; there were sixteen mules, ten of them harnessed, which were embargoed for the transportation of munitions. On the same day the force continued its march.

"On this is founded, also, another claim of Kastan, but it is almost totally fraudulent ; the machinery is not the exclusive property of Kastan, but belongs to a company composed of him and three other persons, among

whom are Messrs. Saucedo and Deloya ; the claim is founded in that the factory could not work on account of the embargo of the mules, the fact being that it was paralyzed, as it could not but be from the lack of cotton.

"Mr. Sutter, as American Consul, made official claims for Kastan, the points of which I do not recollect. Since Mr. Sutter is so zealous for the interests of Mr. Kastan, it would be proper for him to put the latter in mind of his duties, and the obligation he is under not to take any part in our political affairs. The State Government did not esteem the efforts of Mr. Sutter, for to the former the question did not refer to an American citizen, but to an agent of Don Diego Alvarez, together with whom he had been disturbing the State.

"The Consul of the United States had a case pending for having wounded an individual ; under the administration of D. Diego Alvarez he was set at liberty, under bonds, a proceeding attributed generally to the friendship of the former.

"After this, the case had remained paralyzed, and so it was on my arrival in Acapulco.

"The tribunals being installed, and the affairs examined by the Judge, he believed that the bondsman (Kastan) having absented himself, Mr. Sutter was to be confined until he gave new bonds. I am ignorant of the details of this incident, wherefore I abstain from setting them forth. What there is no doubt about is, that imprisonment was imposed because there was a crime in question to which corporal punishment attached. Mr. Sutter imagined that because of his efforts for Kastan, the pending case had been agitated under my influence.

"I can assure that I was occupying myself very little about Mr. Sutter, but as he judged the contrary, the question took all the character of his personal resentment."

e. General Considerations on Diplomatic Claims.

1374. The case of Mr. Henry Kastan having been the object of diplomatic claims on the part of the United States Legation, accredited in this capital, it is considered proper to set forth here some general considerations on these claims.

1375. The diplomatic claim being generally in accordance with established usage and agreed rules between civilized nations, a formal representation on the part of a foreign public minister, before the Government to which he is accredited should not be made, but when it treats of a violation committed, tolerated or counselled by the said Government, to the prejudice of the country which the minister represents, or in prejudice of the said minister, or of the persons belonging to his mission. Treating of individuals, even in fault of a written agreement containing the clause of submission to local justice, the diplomatic claim should not be made, but in case of a flagrant denial of justice, and this last only after the individual complainant has appealed to all the resources admitted against arbitrary injudicial acts.

1376. The diplomatic claim is a supreme appeal reserved for notoriously grave cases ; because, in reality, it is a charge or accusation made directly by a sovereign or his representative to another sovereign, and that step may easily lead to a rupture of relations.

1377. So, then, outside of the circumstances indicated, no public minister ought to appeal to that recourse, if it is not in the last extreme, and he is already authorized and decided to use an imperative tone in his communications. He who, without those grave motives, should make a frequent and inopportune application of the said recourse, would work against the true spirit of diplomacy, and the rightly understood interests of his government. Apropos of this, it has already been said (paragraph 1227) that the Germans resident in Mexico have not had any necessity of diplomatic claims to be guaranteed in their persons and to prosper in their commerce, and that perhaps from having abstained from them they have in this point gone ahead of other nations whose representatives have been prodigal in presenting diplomatic claims.

1378. European publicists have not treated on this point to the same extent as the writers of Spanish America, where the governments have allowed the custom to be introduced of the so-called "diplomatic clause" on the most futile and importune motives. The following have, however, occupied themselves prominently with it: Charles de Martens, "*La Guide Diplomatique*" (Paris, 1851), vol. 1st, pages 178, 179, 180. L. E. Albertini, "*Derecho Diplomático en sus aplicaciones a las Repúblicas Sud-Americanas*" (Paris, 1866), pages 100 to 102. Riquelme, "*Elementos de derecho público internacional*" (Madrid, 1849), pages 472, 473. Pinheiro Ferreira, "*Principes de Droit Public*" (Paris, 1834), pages 645, 646, 651. Klüber, "*Le Droit de gens moderne de l'Europe*" (Paris, 1861), pages 58, 79, 80. Calvo, "*Droit International*," liv. X., page 465.

1374. The case of Mr. Kastan was the object of diplomatic claims on the part of the United States Legation.

1375. Conditions under which claims against a government can be made by diplomatic intervention.

1376. True character of diplomatic claims and their danger to the peace between nations.

1377. Diplomatic intervention in individual affairs without grave motive or authorization.

1378. Titles of works of European authors which refer to the abuse of the diplomatic character in preferring claims.

1375. Moreover, the following Mexican authors have occupied themselves with the same: Pena y Pena, "Lecciones de Practica forense Mexicana" (Mexico, 1839), vol. III., pages 101, 105. El Conde de la Cortina, "Prontuario Diplomático y Consular" (Mexico, 1856), pages 63, 68. Azpiroz, "Codigo de Extranjeria" (Mexico, 1876).

1380. The United States have established a Tribunal to judge of all claims presented against the Government, under the name of the *Court of Claims*, and foreigners can carry before this Tribunal their complaints or demands; but the organization of that Court is yet defective, and in the President's message of September 9th, 1876, the reorganization of the Court of Claims was still recommended to Congress in an especial manner.

1381. When, in the years immediately after the independence of the United States, the organization of the judicial power of the Union was discussed, with the proposition to subject to the Federal Courts the controversies between a State, or its citizens and foreign States, their citizens or subjects, the "Federalist" expressed itself in these terms:

"General Peace ought not to be at the mercy of one of the parties. The Union will undoubtedly be responsible towards foreign powers for the conduct of its members, and the responsibility for an injury must always be accompanied by the power to prevent it. As the denial or perversion of justice by the sentences of the tribunals is classified with reason, as among the just causes of war, it follows from this that federal justice ought to know all the causes in which the citizens of other countries are interested. This is as essential to the preservation of public faith as it is to the tranquility of nations. A distinction might be imagined between cases that arise, in consequence of treaties and international laws, and those which have only municipal law for their basis, supposing that the former belong to federal jurisdiction, and the latter of the States; but in the present state of things, it is doubtful if an unjust sentence pronounced against a foreigner, when the subject of controversy is related exclusively to local law, would, in the case of not being reformed, not be an offense against his sovereign, in the same manner as a sentence in violation of the stipulations of a treaty, or the general law of nations, and to make this distinction, an inconvenience results, greater even than the immense difficulty, if not impossibility of distinguishing with certainty the cases of one and the other nature.

"Questions between nation and nation give room for so large a number of controversies in which foreigners figure, that it is much safer and more convenient to refer those in which they are interested to national tribunals."

1382. In the collection of general treaties of the United States, it does not appear that any rule has been established for the presentation of claims, and excepting those which have been adjusted with barbarous countries (as Argel Borneo, etc.,) all those treaties subject the United States citizen to the territorial jurisdiction; but in some, among others the one in force with Mexico, of April 5th, 1831, is found this stipulation:

"Article XXXIV.

.... "Third. If (which is not expected) some of the articles of the present treaty should unfortunately be violated or otherwise infringed, it is stipulated that neither of the contracting parties shall dispose or authorize any kind of reprisal, nor declare war against the other for any complaint of injury or damage, until the same party that considers himself agrieved, has presented to the other a statement of the injuries or damages, competently proved, and has asked for justice and satisfaction thereon, and this has been denied or unreasonably delayed."

1383. Finally, as an evident proof that the presentation to the Executive of "Diplomatic Claims," using this word in the sense which it is vulgarly and customarily used in America, is an act extraordinary, and not admitted as a rule of law, or of custom between civilized nations, it is sufficient to note that, when individual cases occur, which have a direct bearing upon treaties or politics, and which, therefore, have to be treated in a diplomatic way, that is to say, have to be taken out of territorial jurisdiction, it is necessary to adjust special agreements, and that then only it is that the Executive power can decide on these complaints according to their merits.

f. Dispositions of Mexican Legislation Respecting the Acquisition of Real Estate by Foreigners.

1384. Treating in the case of Mr. Kastan of a claim proceeding from real estate acquired in Mexico,

1379. Titles of works of Mexican authors treating of the same subject.

1380. Tribunal established in the United States to judge of all claims against the Government.

1381. Opinion of the North American periodical "The Federalist," on the inconvenience of diplomatic intervention.

1382. Text of Article 34 of the treaty between Mexico and the United States.

1383. Diplomatic intervention in individual claims is not admissible as a rule of law.

1384. Opportunity of referring to Mexican legislation on the acquisition of real estate by foreigners.

according to Mexican laws for a foreigner, it does not appear out of order to refer briefly to the dispositions of said laws on this subject, for the purpose of demonstrating the liberality which, from the first days of independence, Mexico has shown in favor of foreigners who come to dwell in its territory.

1385. In 1822, the Constituting Assembly issued a colonization law, which authorized foreign colonists to acquire real estate in the country. On April 22d, 1823, the Executive Power commissioned D. Francisco Fagoaga to examine the law for the distribution of land to foreigners, made by the Constituting Assembly, and to propose the measures he might judge convenient on so important a subject.

1386. In October 27th, 1823, the Mexican Congress decreed the *suspension of the provisions which required foreigners to be naturalized or "tolerated"* with express license from the Government, to acquire property and work their own mines. That suspension only empowered them to covenant with owners of mines that needed funds, and left them subject in everything to the mining ordinances and other obligations, and burdens with which the nation grants the propriety of such productive sources to every citizen. Exploration of new mines was prohibited them, and no alteration was made in the Government tax and statute on quicksilver; but other articles of mining consumption remained subject to the eventual Government tax that was exacted on them.

1387. On August 18th, 1824, the general Constituting Congress issued a decree on colonization, *offering foreigners security in their persons and property*, provided they subjected themselves to the laws of the country. The object of the law was to colonize the wild lands of the nation; but its fourth Article provided: "That the territory might not be colonized which was comprised within the twenty leagues bordering upon any foreign nation, or ten leagues on the shores, without the previous approbation of the Supreme General Executive Power.

"Art. 12 prohibited the holding by one person of more than one square league of irrigated land, four of temporal and six of grazing. Article 15th provided, that no one who, by virtue of this law, should acquire lands in propriety could keep them, living outside of the Republic. This law, at the same time that it is pretty generous, appears to have been sufficiently studied; unfortunately, its restrictions were not scrupulously observed.

1388. The subjection of the foreign possessor of immovable property to the laws of the country in which said property may be situated (*Lex loci, rei sitæ*), is a principle recognized by all publicists, and has been so set forth in the law of August 18th, 1824, as well as in all our international treaties and other laws, which rule in the matter of possession of real estate by foreigners. An equal thing has happened with the derivation from said principle contained in the 15th Article of the mentioned law of 1824, and it can also be said that both provisions have been generally observed.

1389. Regarding that concession made in 1824, it cannot be explained how, afterwards, the perfection of the right of foreigners to the acquisition of real estate, was put in doubt, except on account of the limitation contained in Article 2d, which says, textually: "This law (that of 1824) applies to those lands of the nation, which, not being individual property, nor belonging to any corporation or town, can be colonized." That is to say, that the foreigner could acquire unappropriated wild lands, but not buy "*haciendas*" already formed, or the commons of a town; nor could he acquire, for example, an unproductive desert, nor lands situated in the asperities of the sierras, or in swampy and unwholesome places, which lands are not considered colonizable.

1390. The treaty with England, of November 26th, 1826, the lamentable stipulations of which have weighed so heavily on the destinies of Mexico, says, in its Article 9th: "In that which pertains to the succession of personal property, by testament or otherwise, and to the right of disposing of personal property, of *whatever class or denomination*, by sale, donation, exchange or testament, or in whatever other way, as well as also to the administration of justice, the subjects and citizens of the two contracting parties shall enjoy in their respective dominions and territories, *the same privileges, liberties and rights as if they were native subjects*; and they shall not be burdened in any of these points or cases with greater imposts or duties, than those paid by the native subjects or citizens of the power in whose territory they reside."

1391. Apparently the stipulations of this article involve a provision advantageous for Mexico, for the rigidity of English laws on those points is notoriously exaggerated. It must, however, be observed, that the English negotiator, who also edited the treaty, used the words *personal property*, and evading to write in the English text the words *real estate*, he preferred to say of *whatever class or denomination*, leaving thus the door free for Eng-

1385. Dispositions of the years 1822 and 1823 on the same subject.

1386. Suspension of the provisions which required requisites of foreigners, to acquire and work their own mines.

1387. Restrictions of the law of August 18th, 1824, on colonization.

1388. The foreign possessor of personal property is subject to the laws of the country in which he is.

1389. Text of Article 2d of the law of 1824 and meaning that ought to be given it.

1390. Text of the 9th Article of the treaty with England, of November 27th, 1826.

1391. Spirit of that article and practical results which would be derived from its stipulations.

lish interests in Mexico, but reserving the occasion to sustain a contrary opinion. But even supposing that the said stipulations were written *bona fide*, and that the Mexicans were not comprehended in certain exceptions of English laws which modify them, it is clear that very few Mexicans would come to enjoy the reciprocity.

1392. Almost all the other treaties celebrated by Mexico with foreign nations, being traced after that formed with Great Britain, on Nov. 26th, 1826, they contain the same stipulations.

1393. On March 11th, 1842, a decree was issued more extensive than previous ones, permitting foreigners to acquire property in the Republic, and authorized those dwelling in the country to possess city and country property, as well as the mines they might discover, but without their being able to acquire more than two estates in the same department without the consent of the Government, and only the one being independent from the other. Tenants should enjoy the laws thereof, and foreigners who might acquire property should be subject to Mexican laws in all that refers to these, without ever being able to allege the rights of foreign citizenship; and the questions that might arise should be settled in the ordinary way, to the exclusion of any other intervention. Foreigners who might acquire property, or work on it, were not obliged to the service of arms, but merely to police service, and subject to the imposts that might be imposed for militia. If the foreigner should absent himself from the Republic, with his family, and without the permission of the Government, or the property should pass into the possession of a person not resident in the country, he was obliged to sell it within two years of the absence or transfer of ownership, and if not done an official sale should be made. The same should take place whenever it should be proved that the owner was residing out of the Republic, and that the so-called proprietor was only in place of the absent person. Foreigners could never acquire property without the consent of the Government, in departments bordering on or forming the frontier of other nations, but in those not so, but having coasts only within five leagues of these, could they acquire country property. For foreigners and proprietors, that character, with two years' residence and good conduct, would be sufficient to obtain a chart of citizenship. To acquire wild lands they would have to be contracted for with the Government of the Republic.

1394. On July 12th of the same year, 1842, a decree was issued declaratory of the previous law, in which it is provided that natives or foreigners who prove clearly to have been restorers of old mines, decayed or abandoned, shall be considered as discoverers, and consequently empowered by Article 2d of the law of March 11th, to acquire property in mines.

1395. On August 31st of the same year, 1842, another decree was issued, declaring that "the law of March 11th of that year, which empowered foreigners to acquire real estate, did not derogate that of October 7th, 1823." It appears that the word derogate was used in the sense of abrogate; in reality the law of March 11th derogates a great part of the law of 1823.

1396. On March 2d, 1843, another decree was issued declaring that the law of October 7th, 1823, remained in forced in all that was opposed to the decrees of March 11th and July 21st, 1842.

1397. On October 2d, 1842, a circular was issued to the Governors of the Departments, declaring that foreign partners of companies, discoverers of mines, or restorers of abandoned ones, even though absent from the Republic, preserved their property therein.

1398. On January 30th, 1854, a decree was issued on foreign citizenship, and nationality of the inhabitants of the Republic, Article 15th of which, declared in force, in all its parts, the decree of March 11th, 1842, on the acquisition of real estate by foreigners, *except in the cases in which by treaties any of its dispositions should be modified.*

1399. On July 10th, 1855, a treaty was signed with the kingdoms and sovereign states of Germany, Article 10th of which only partially acknowledges to the Germans the right to possess houses and property. In the last fraction or said article, having in mind some peculiarities of the German laws on real estate, it is said: "Likewise, if by the death of any person possessing real estate in the territory of one of the two contracting parties, this should fall, according to the laws of the country, to a citizen or subject of the other party, and such citizen, even though by his quality of foreigner he should be inapt to possess said property, a proportionate time shall be

1392. The other treaties celebrated by Mexico are traced after that of 1826.

1393. Provisions of the law of March 11th, 1842, on the acquisition of real estate by foreigners.

1394. Prescriptions of the decree of July 12th, 1842, on the same subject.

1395. The decree of August 31st, 1842, declared that the law of March 11th, 1823, does not derogate that of October 7th.

1396. The decree of March 2d, 1843, declared that part of the law of October 7th, 1823, remained in force.

1397. Favorable provision for foreign partners of Mining companies in the circular of October 2d, 1842.

1398. Decree of January 30th, 1854, which in its 5th Article declares in force that of March 11th, 1842.

1399. Treaty of July 10th, 1855, with the Germanic Confederation.

granted him to sell it and collect its value, without any impediment, and he shall be exempt from all right of retention on the part of the government of the respective States." The Constitution of the German Empire has got over some of the difficulties on this point, (see Bluntschli *Staatslehre*, 1874, p. 391); but others subsist, such as that of a Federal law of December 21st, 1871, which limits the acquisition of real estate in the neighborhood of fortresses, and those which still exist in Oldenburg, (see Holtzendorff *Encyclopadie der Rechtswissenschaft*).

1400. On August 1st, 1855, a contract was signed with Sardinia, Article 3d of which says: "That citizens of each one of the high contracting parties shall have the right to acquire in property, to possess and to alienate movable and immovable property in the territory of the other, whether it be by testate or intestate succession, donation or contract, without being subjected to other or greater imposts of transfer of ownership, succession, or similar ones than those paid by the natives, subjecting themselves to the laws in force, or which shall in the future be given on these points." This is the first treaty in which the right is recognized to possess immovable property.

1401. On December 3d, 1857, a decree was issued, Article 6th of which declares to be in force the dispositions prohibiting unnaturalized foreigners from acquiring real estate on the frontiers, or on the shores, without express permission of the Government.

1402. Article 72, fraction XI. and XII. of the Constitution of February 5th, 1857, empowers Congress "to dictate laws on naturalization, colonization and citizenship," and "to fix rules to govern the occupation and alienation of wild lands, and the price of them." Article 2d of the law of July 22d, 1863, on the occupation and alienation of wild lands, issued in exercise of the preceding power, prohibits the natives of nations bordering on the Republic, and those naturalized in them, from the ability to acquire wild lands in the States contiguous to them.

1403. On July 20th, 1861, the treaty with Belgium was signed by Sr. Montes, Art. 7th, of which says: "The citizens of the contracting parties shall have the right in the respective territories to possess property of every kind, and to dispose of it in the same manner as the natives, conforming themselves to the laws of the country." This clause might be interpreted as an abolition for the Belgians of the prohibition to acquire lands on the frontier, for, if they can possess in the same manner as the Mexicans, they do not need any special permission to establish themselves there.

1404. On August 28th, 1869, the treaty with the North German Confederation was signed. Its Art. 14 repeats the provisions of Art. 10 of the treaty of July 10th, 1855.

1405. On December 14th, 1870, the treaty with Italy was signed, Art. XIII. of which establishes that "the citizens of each one of the contracting States shall be able to acquire and possess real estate according as the laws of the respective countries then permitted, or should permit in the future."

1406. These are the principal laws that have been issued in the Republic, in relation to the acquisition of real estate by foreigners. There is to record, besides, the decision of the arbitrator of the Mixed Commission of Claims established in Washington, in the cases Nos. 333 and 446, relative to fraction III. of Art. 30, of the Constitution of 1857, by virtue of which "foreigners who acquire real estate in the Republic, or have Mexican children, are Mexicans, whenever they do not manifest the resolution to preserve their nationality." The arbitrator said in his resolution: "it is said that the claimants were turned into Mexican citizens, by the fact of having acquired lands in Mexico, because, according to a law of that Republic, every one who buys land in it is naturalized by that very fact, unless, at the time of the purchase, he declares his intention to the contrary. The meaning of this law is to confer a benefit on the foreigner who buys land in the country, and it is contrary to equity that this benefit (converted in the present case into a penalty) should be imposed on the claimants against their will, for the sole reason that they omitted to make the declaration of a negative; or in other terms, because they preferred to continue being citizens of the United States, as they were no less than by birth, which is that which imposes the strongest and most positive of all national ties."

1400. Treaty of August 1st, 1855, celebrated by Mexico with Sardinia.

1401. Dispositions of this subject of the decree of December 3d, 1857.

1402. Dispositions relative to the same subject, of the Constitution of February 5th, 1857.

1403. Stipulations of the treaty with Belgium, of July 20th, 1861.

1404. Stipulations of the treaty with the North German Confederation, of August 28th, 1869.

1405. Stipulations of the treaty with Italy, of December 14th, 1870.

1406. Opinion of the Arbitrator of the Mixed Commission of Washington on fraction 3d, Article 30 of the Constitution.

1407. The manner calls attention, which the arbitrator found, of evading the fulfillment of an express provision of the Mexican Constitution, and the character of penalty which he attributes to what Mexico considers a favor and an act of liberality on its part, in conceding its own citizenship. A nation cannot do more for a foreigner than to declare him its citizen, and to grant him all the rights and prerogatives which these enjoy.

It cannot, therefore, be sustained, that the concession of citizenship is a penalty.

1408. From the preceding summary of the dispositions of Mexican legislation respecting the right granted to foreigners to possess real estate in the country, it appears that since Independence was consummated, the Republic has been very liberal on this point, and that the few restrictions contained in its laws are reasonable and founded, and less in number than those existing in other countries.

1409. It appears, equally, that Mexico could have sustained founding itself on the provision of Article 10th of the law of March 11th, 1842, and on Article 6th of that of December 3d, 1857, that Mr. Kastan had not been able to legally acquire the propriety of the "hacienda" of San Marcos, from its being situated on the Pacific shore, and said law providing that foreigners may not acquire real estate except at five leagues distant from the coast, from which is abstained from motives which will be stated in continuation.

g. Statement of the Occurrences in Acapulco Respecting the Property of Mr. Henry Kastan.

1410. Political passions were greatly excited in the State of Guerrero, on the triumph of the Revolution of Tuxtepec. The local parties were two principally; that of General Diego Alvarez, who had the character of Governor of the State, and supported the Administration of Sr. Lerdo de Tejada, and that of General Vicente Jimenez, who proclaimed the Plan of Tuxtepec. This revolution having triumphed in almost all the country in November, 1876, General Jimenez was sent to Guerrero for the purpose of causing it to prevail in the State, and reached Acapulco.

1411. A little before the arrival of General Jimenez at that port, General Alvarez retired to Costa Grande, and some time before he had alienated his property to Mr. Henry Kastan, a Pole by birth and citizen of the United States, who has been considered as a partizan and associate of General Alvarez, as will have been noticed in reading the fragment of the manifest of General Jimenez, which was inserted a little past (paragraph 1373). The antagonists of this General believed, and not without some show of foundation, that the sale of his property had been simulated, and made for the purpose of putting it out of the way of his political enemies, and under the safeguard of the United States flag.

1412. Among the property figured, in the first place, figured the estate (hacienda) of La Providencia and that of San Marcos—the first situated near the road from this capital to Acapulco. The second, which is adjoining that port, comprises an extension of more than 40 square leagues, it belonged to ecclesiastical property, and was "denounced," as is assured by General Juan Alvarez, father to General Diego Alvarez, and acquired, according to the laws of nationalization, although there are no antecedents of that operation appearing in the Treasury Department. There are persons who assure that "La Brea," "Tres Palos," "Veladero," and other districts of the "hacienda" of San Marcos, do not belong to General Alvarez, which measures $6\frac{1}{2}$ leagues in width, and 18 in circumference, which property they say corresponds to the entail of the Earldom of Santiago. The friends of General Alvarez assure that San Marcos was sold to Kastan since August, 1875, in payment of a debt, wherefore they believe that sale was not simulated.

1413. There were a considerable number of inhabitants in the "hacienda" of San Marcos, established there for several generations, some of which had never come to recognize the ownership of General Alvarez over that estate, for they considered the lands they occupied as their own, and they paid, therefore, no rent whatever for them. In spite of the influence of the said General in the State of Guerrero, he did not think it prudent to enforce his dominion over various lands of the said estate.

1414. General Jimenez considering that it would be a popular measure in the State of Guerrero to give the dwellers on the lands of San Marcos to understand that the titles of General Alvarez were not legitimate, and perhaps animated by the desire of harassing his adversaries, he so gave the inhabitants of said estate to under-

1407. The Arbitrator found a way of evading the fulfillment of the Mexican constitution in this respect.

1408. Liberality of Mexican laws on the rights of foreigners to acquire real estate.

1409. Mr. Kastan could not legally acquire the "Hacienda" of San Marcos.

1410. Sending of General Jimenez to the State of Guerrero, in November, 1876.

1411. Retreat of General Alvarez from Acapulco, and sale made previously of his property to Mr. Kastan.

1412. Extent of the estate of San Marcos, and situation of it, and of that of "La Providencia."

1413. General Alvarez did not esteem it prudent to enforce his dominion over various lands of San Marcos.

1414. General Jimenez gave to understand extra-officially that the titles of General Alvarez were not legitimate.

stand, without his declaration on this point, which appears to have no official or even written form, being capable of producing any legal effect, according to Mexican laws.

1415. This declaration served as the foundation for Mr. Henry Kastan, to consider himself despoiled of a property of which he had never been in entire quiet and peaceful possession, and to present for this motive his claim against the Federal Government of Mexico, through the United States Legation. In that claim are comprised the damages which, he said, the forces of General Jimenez had caused him on the estate (hacienda) of La Providencia, in passing through it, and others of less amount, the enumeration of which will be found specified in continuation.

h. Arrangement Celebrated with the Mexican Government by Mr. Kastan.

1416. The very desire of the Mexican Government, and on the part of the authorities, and subaltern employees of Acapulco, not to give the slightest motive of offense to the United States Government, caused that the case of Mr. Kastan, and especially the incident in reference to the imprisonment of Consul Sutter, were treated with some irregularity, and to the prejudice of the rights and interests of Mexico. The cause against the said Consul became lost purposely, and the judgement, therefore, could not be concluded. Sr. Esteban Zenteno was named arbitrator to investigate and estimate the damages suffered by Kastan, who decided that Kastan was creditor to payment of \$1,957 46.

1417. All these proceedings greatly embroiled this matter, and the Mexican Government, considering that it was proper to cut off this claim at its origin, and, besides, that it was opportune, in order to avoid new difficulties in the future, to grant the propriety of the lands in question of San Marcos to the present occupants, for obvious reasons, which it is considered unnecessary to enumerate here, determined to purchase of Mr. Kastan his rights to the said estate of San Marcos, and to indemnify him for all the other injuries and damages of which he complained, and for which the United States Representative had presented claims against the Mexican Government. It was so done by means of a contract celebrated September 4th, 1878, between the Secretaries of Foreign Affairs, of Public Works, and of the Treasury, and Mr. Kastan, in which the latter sold to the Mexican Government for the sum of \$82,500, his rights to the said estate, and withdrew all his other claims against Mexico. The sum stipulated is being paid in the form agreed upon in the same contract, and more than half the amount is covered.

1418 It is thought proper to set forth here the text of this contract, which is as follows:

"Mexican Republic—Department of Foreign Affairs:

"In the City of Mexico and Department of Foreign Affairs, on the fourth (4th) day of September, eighteen hundred and seventy-eight (1878), present the Secretary of the Treasury, Matias Romero; Secretary of Public Works, Riva Palacio, and Secretary of Foreign Affairs, J. M. Mata, the three in representation of the Mexican Government, and Mr. Henry Kastan for himself, to sell to the Federal Government the estate (hacienda) of San Marcos, and to put an end to the claims which the same Kastan has presented up to date against the Mexican Government, by himself, and through the Legation of the United States of America, have agreed in the following points:

"1st. Mr. Henry Kastan sells to the Mexican Government the hacienda (estate) of San Marcos, situated in the District of Tabares, in the same State of Guerrero, with the same limits and extent it had when the vender acquired it, and with everything contained thereon, with no other exception than the horses and cattle thereon, and the living things and cultivated fields of the employees, servants and inhabitants of the said estate; the said estate of San Marcos, passing, in consequence, from to-day, to the propriety of the Federal Government of Mexico, to which effect this sale is caused to be set forth in the public writing, the said Kastan binding himself at all times to assure and guarantee the said estate.

"2d. The Government shall pay to the said Kastan the sum of eighty-two thousand five hundred dollars (\$82,500), in the following manner: The Treasury Department shall issue, through the General Treasury of the Federation, orders on the Maritime Custom-House of Acapulco, for twenty-four thousand five hundred dollars (\$24,500); on that of Mazatlan, for twenty-eight thousand dollars (\$28,000), and thirty-thousand dollars (\$30,000) on that of Manzanillo, making, altogether, a total of eighty-two thousand five hundred dollars (\$82,500). These

1415. Mr. Kastan considered himself as despoiled, and presented his claim to the United States Legation.

1416. The Government and Mexican authorities proceeded irregularly, so as not to give motive of complaint to the United States.

1417. Reasons which determined the Mexican Government to celebrate an arrangement with Mr. Kastan.

1418. Text of the arrangement celebrated with Mr. Kastan, September 4th, 1878.

orders shall be issued in fractions of two thousand dollars (\$2,000) each, to the order of Mr. Henry Kastan, endorsable by him, excepting ten thousand dollars (\$10,000), in Manzanillo, to the order of Messrs. Alejandro, Oetling & Co., of Colima; said orders shall be received as cash in payment of import and export duties, caused directly or indirectly by the holders of them, except the railway and municipal duties, and they shall be payable in the following order: Ten thousand dollars (\$10,000) in Manzanillo, to the order of Messrs. Alejandro, Oetling & Co., and two thousand dollars (\$2,000) in Acapulco, in the present month of September; in that of October, eight thousand dollars (\$8,000), in Mazatlan, and four thousand dollars (\$4,000) in Acapulco; in those of November, December, January and February following, four thousand dollars (\$4,000) in each one of the said custom-houses, or twelve thousand dollars (\$12,000) each month, and in the month of March, four thousand dollars (\$4,000) in Mazatlan, four thousand dollars (\$4,000) in Manzanillo, and two thousand five hundred dollars (\$2,500) in Acapulco.

"3d. In consideration of this purchase, the said Kastan, on his part, rescinds and renounces all the claims he has presented by himself, or through the Legation of the United States of America, against the Mexican Government, acknowledging them as definitely, completely and satisfactorily arranged; said claims are those referring to the restoration of the same estate of San Marcos, and those which appear in the memorandum annexed to the note of the Legation of the United States of America, dated August 1st, 1878, the original and translation of which is as follows:

"*Statement of Claims.*—*Claim 1st.* For injuries suffered upon the hacienda of San Marcos, in the month of February, 1877, consisting of loss of pasturage from breeders, rents, tolls, rent of salt mines, appraised by judges appointed by Consul Sutter, at \$2,942 50.

"*Claim 2d.* Claim for year 1877 and 1878, for rents of San Marcos. The rents for this year amount to \$15,386 12½, being larger than for preceding year, owing to the fact that Mr. Kastan intended to work the salt mines himself this year, as he informed the President, in his petition of October, 1877. The salt was appraised by judges appointed by the Consul, at from 5,000 to 6,000 "cargas" annually, by at from \$3 to \$4 a "carga." Mr. Kastan reduces the product of the salt mines, in consideration of expenses. No appraised valuation of rents, pastures, &c., was made for this year, as the basis of last year was sufficient, \$15,386 12½.

"*Claim 3d.* For damages suffered at ginning establishment of La Sabana and the Papagayo, consisting of suspension of work during cotton season, thereby losing contracts for delivering cotton; inability to collect money advanced to different farmers, hay, and 20 pack mules never returned, appraised by judges appointed by Government Commissioner Zeuteno and Mr. Kastan, \$10,957 46.

"*Claim 4th.* For damages upon Ranches Jaltianguis, Plauzuela, San Juan, Cacahuatpec, Monte Alto and garden in Acapulco, appraised by judges named by Consul Sutter; said damage consisting in loss of cattle, horses and hay, \$13,856.25.

"*Claim 5th.* For destruction of property upon hacienda of La Providencia, consisting of house, sugar machinery, sugar cane, utensils of cultivation, &c., appraised by judges appointed by Consul Sutter, at \$14,000. The whole amount of Mr. Kastan's claim is \$57,142 33½. On this amount he claims interest at rate of 12 per cent. per annum, from February, 1877, to date of payment, excepting that in claim No. 3, the appraisers included interest for one year, from May, 1877, to August 3d, 1878. This is the document cited by Mr. Foster, under the name it bears of 'Statement of Claims,' in his note of day before yesterday, and which he remitted with it.

(Signed)

"FERNANDEZ, O. M."

4th. Mr. Henry Kastan declares, moreover, that in the document which has just been inserted, are set forth and enumerated all the titles he has to claims he has instituted against the Mexican Government up to date, by himself and through the United States Legation, but that, notwithstanding, although he should have others, it is his will to renounce them, and does hereby renounce and cede them in favor of the said government, so that, at no time, either by him or by his heirs, shall it be possible to make to the latter any other claim for interest, omission of any one or more charges for extreme injury, or any other motive; for it is his purpose and will, that by the arrangement to-day made, and which is set forth in the present Act, his claims are paid in full, without his being able in any case or by any motive whatsoever, to insist in all or any one of them, or much less appeal to the diplomatic intervention of his government. And, in due evidence, of which the contracting parties sign in duplicate the present Act, which, for its perfect validity, is made a public instrument.

(Signed)

M. ROMERO.

VICENTE RIVA PALACIO.

J. M. MATA.

H. KASTAN.

(Copy.) MEXICO, September 4th, 1878.

(Signed)

JOSE FERNANDEZ, Chief Official.

i. Considerations Resulting from the Facts in Reference to the Events of Acapulco.

1419. Examining impartially the events of Acapulco, which have just been spoken of, it does not appear that there is any grounded motive for censure against the Mexican nation, or its government, on account of them; for, even supposing that the conduct of General Jimenez, respecting Mr. Kastan, had been arbitrary, the Mexican Government amply indemnified him for all the damages he suffered, with the sum of \$82,500, as has been just shown (paragraph 1418).

1420. It is proper to note, that the United States Representative on writing his Report to the Chicago Manufacturers' Association, of the North-West of the United States, had already knowledge of that contract, inasmuch as it was signed in this capital, September 4th, 1878, and the Report is dated also in this city, October 9th of the same year.

It would seem natural that on speaking of the injuries suffered by Mr. Kastan, he should have stated that they had been amply indemnified.

1421. Notwithstanding, then, that the claims presented by the United States Legation, in favor of Mr. Henry Kastan, could be considered untenable under various aspects, and, according to the provisions of international law, among other motives, for there was ground to suspect that in the sale of the property of General Alvarez was simulated the desire to avoid difficulties with the United States Government, which had intervened in this matter, decided the government of Mexico to satisfy Mr. Kastan, by paying him \$82,500, in the terms already stated, and this, notwithstanding the poverty of the Mexican Treasury, presented so vividly in the Report. It does not appear, therefore, that the latter has any foundation for considering the case of Mr. Henry Kastan as a proof of the injuries which United States citizens suffer, without retribution in Mexico.

1422. As to what relates to Consul Sutter, the case appears still more simple. He confesses, himself, in the communication he addressed from Acapulco, March 10th, 1877, to Mr. Julius Skelton, United States Consul General in Mexico, that he fired all the charges of his pistol at a man, wounding him in the head. This fact constitutes an offence for which a Consul can be adjudged, who does not enjoy diplomatic immunity. It could very well be that Consul Sutter might have inflicted those wounds in self defence, although, from his own testimony, it does not appear that his life was in danger, and in that case he would not merit any punishment at all; but these facts had to be substantiated in the respective trial, and it was the part of the Judge to make the corresponding decision.

1423. It appears clear that the incentive of the proceedings against Consul Sutter had been a motive of personal passion, for he is considered also as a friend of General Diego Alvarez, and inclined to his party, it would have been easy to have terminated the trial and obtain a sentence of condemnation, which, perhaps, he would not have been able to avoid, if on the trial, all the legal formalities had been observed. But this, far from being so, Consul Sutter was immediately put at liberty, the trial suspended, and the cause purposely lost, which proves that the very enemies of General Alvarez preferred to terminate this subject, though in an irregular manner, in order to avoid its being given the character in which it had already been presented, of an act of little good will towards the United States Government. It appears, consequently, clear that neither in reference to the case of the Consul, Sutter, do the assertions of the Report rest on any solid foundations.

D. Events Occurred in Matamoros in 1876.

1424. Respecting the events occurred in Matamoros, in 1876, to which the Report refers, there are also various incidents which it is necessary to examine separately for the proper understanding of what then passed in that port.

1425. It is to be regretted that the names of the persons referred to are not designated in the Report, in order that the reply might be entirely precise, and the danger not run of mentioning facts that may not be exactly those of which the Report speaks.

1426. For the better understanding of this subject, then, the following points will be spoken of here with the corresponding separation.

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- 1419. There is no ground for making accusations against Mexico for what occurred to Mr. Kastan.
 - 1420. The Report omits to speak of the arrangement celebrated with Mr. Kastan, of September 4th, 1878.
 - 1421. The Mexican Government passed over the irregularities of the claims of Mr. Kastan.
 - 1422. There is no foundation for any accusation against Mexico for what occurred to Consul Sutter.
 - 1423. It would have been easy to have passed sentence on Mr. Sutter, but it was preferred to terminate the matter.
 - 1424. Examination of the events of Matamoros occurred in 1876 stated by the Report.
 - 1425. Difficulty of replying, from the Report's not naming the persons to which it refers.
 - 1426. Points to be considered relative to the events mentioned of Matamoros.

- a. Text of the Report respecting the events occurred in Mexico in 1876.
- b. Report of the Department of Foreign Affairs on this subject.
- c. Report of the War Department on the same subject.
- d. Statement of what occurred in Matamoros during the Administration of General Revueltas.
- e. Extract of the dispatch of the Treasury Department of Mr. Frederick O'Boyle.
- f. Report of Eugenio Chavero, former Administrator of the Matamoros Custom-House, on the same matters.
- g. General considerations respecting the events of Matamoros.

a. Text of the Report Respecting the Events Occurred in Matamoros in 1876.

1427. Respecting the events occurred in 1876 in Matamoros, the Report says as follows :

" Crossing the Continent from Acapulco to the mouth of the Rio Grande, we find that the American merchants of Matamoros suffered the same revolutionary exactions. The General of Lerdo's forces, who commanded there, was cut off from the capital by the forces of Diaz, and he soon found himself without any money to pay his troops and defend the place. He then had to recur to the customary expedient, forced loans. The two first he imposed were covered with all possible good will ; but when it came to the third, following immediately after the others, some of the merchants met with difficulties in getting money, and refused to pay, obliging the General to take vigorous measures. An American merchant, or rather a retail trader, already aged, was put down for three hundred dollars, which he could not pay, or which, in fact, he did not pay, and he was apprehended at night by soldiers, and carried to the exterior of the parapets of the city, where they were fighting with the revolutionists outside, and was kept on top of the trench, exposed to the fire of the enemy, until the American Consul interfered and obtained his release.

" Another American merchant was required to furnish several thousand dollars, which he believed to be unjust and excessive, in view of what he had already paid ; so he refused and sought the protection of the Consul, whose office was happily in the same house. But the most earnest demonstrations of the Consul were in vain. Orders were given to enforce the loan, and a picket of soldiers was sent to the establishment, and when the American flag was flying on the Consul's house, within range of an American gun-boat that was lying in the river, the doors were forced, the merchandise on hand taken out and sold at public auction for a song. One of the partners of that house came to this capital a year ago to procure the recognition of the claim for those injuries, conforming to receive orders on the Matamoros Custom-House, but he could not obtain any arrangement whatever."

b. Report of the Department of Foreign Affairs on this Subject.

1428. In reference to this fact, the *Memorandum* of the Department of Foreign Affairs, already cited (paragraph 1302), says as follows :

" On the fact which Mr. Foster assures took place in Matamoros, with a retail merchant, an aged and peaceable man, who, for not having given \$300 which was imposed on him, was carried by soldiers outside of the trenches, where they held him exposed to the fire of the enemy, there is no notice whatever, and in the investigation that was raised in Matamoros on the conduct observed by General Revueltas, there is not the least mention made of that fact."

c. Report of the War Department on the Events of Matamoros.

1429. In the report cited of the War Department (paragraph 1303), it says, on the events of Matamoros, as follows :

" *Mexican Republic.—Department of War and Marine. Section 1st.*.....

" Paragraph 100.—It mentions facts which have exact connection with Articles 1st, 7th and 10th, of the rights of war, which have already been specified.

" Paragraph 102. There are no antecedents in this Department, as said paragraph treats of affairs which are

1427. Statement made by the Report of the events occurred in Matamoros in 1876.

1428. Fragment of the *Memorandum* of the Department of Foreign Affairs relative to one of the facts stated by the Report.

1429. Fragment of the communication of the War Department on the events of Matamoros.

not within the incumbence of the War Department ; with the exception of forced loans, to which reference has been made in this Report, treating of analogous cases.

* * * * *

"All of which I communicate to you in reply to your note already cited, for the ends which it expresses.

"Liberty and Constitution. MEXICO, January 8th, 1879.

"GONZALEZ. A rubric.

"*To the Secretary of the Treasury and Public Credit.*"

d. Statement of what Occurred in Matamoros during the Administration of General Revueltas.

1430. It is proper to state, succinctly, the state the town of Matamoros was in in the last days of the year 1876 and in the first of 1877, to which period the Report refers. General Revueltas, who recognized the authority of the Government represented by Sr. Sebastian Lerdo de Tejada, was beset by forces belonging to the Plan of Tuxtepec, and almost reduced to the city of Matamoros ; he had a large force of the line at his orders, and the national guard of the locality, and to sustain them he counted only upon the resources he could get out of that city. He believed it his duty to sustain the authority of the Government he represented, even after the battle of Tecuac, because the events occurred in the capital of the Republic in the last days of the month of November, 1876, by which Sr. Lerdo de Tejada had been overthrown, did not come to the knowledge of General Revueltas in a credible manner, by reason of the interruption of communication, only in the first days of January, 1877, which contributed to make him prolong his resistance.

1431. With this object, and using the powers conferred upon it, the Administration of Sr. Lerdo de Tejada was under the necessity of decreeing taxes in order to sustain the forces of its command. It does not seem that the Representative of the Government which authorized the *instructions for its armies in campaign*, to which reference has already been made (paragraph 1278), should find it irregular or censurable that the military chief of a place declared in a state of siege, and occupied by an armed force, should impose the taxes necessary for the support of his force.

1432. When General Revueltas received notice that the Administration of Lerdo de Tejada had been overturned in consequence of the battle of Tecuac, he ceased his resistance to the forces which were besieging Matamoros, and those entered into possession of that city.

1433. In a short time claims were presented to the present Administration for amounts supplied to General Revueltas in Matamoros, which reached a considerable sum ; and notwithstanding that they had all been used against the triumph of the Plan of Tuxtepec, which at last prevailed in the Republic, the present Administration, for the object of preserving the credit of the country, and recognizing that General Revueltas was working in the name of a constituted government, has accepted all the credits that have been presented for supplies made in Matamoros, up to the date on which notice was had of the abandonment of this capital by Sr. Lerdo de Tejada, and has paid, notwithstanding the poverty of its treasury, a part of said credits, among which are some of citizens of the United States, as, for example, those of Sr. Julius Eversmann, who came to this capital in October, 1877, and to whom was acknowledged and paid a credit of \$30,000, which originated in that way, and another besides of \$17,000, of different origin.

1434. Respecting the other case of which the Report speaks, and respecting the forced loans decreed by the military chief of the garrison of Matamoros, very important details will be seen in the report of Sr. Eugenio Chevero, which will be inserted in continuation, which demonstrate the inaccuracy, in various important points, of the data which served for the writing of the Report.

e. Extract of the Issue of the Treasury Department Respecting the Claim of Mr. Frederick O'Boyle.

1435. Probably one of the cases to which the Report refers, as occurred in Matamoros, during the Administration of General Revueltas, is that of Messrs. Francisco Iturria and Brothers, and Frederick O'Boyle, who have presented themselves before this Department, claiming the payment of \$19,454 20, value of goods embargoed, and for injuries, damages and costs, which resulted to them through orders of General Revueltas.

1430. Resistance of General Revueltas in Matamoros in 1876, and January, 1877.

1431. Necessity General Revueltas was under to decree extraordinary taxes.

1432. Entry of the besieging forces into Matamoros on the fall of the Administration of Sr. Lerdo de Tejada.

1433. Recognition and partial payment of supplies made to General Revueltas in Matamoros.

1434. Statement made of a case cited in the Report and of forced loans decreed in Matamoros.

1435. Claims of Messrs. Iturria and Brothers and Frederick O'Boyle for injuries and damages suffered in Matamoros.

1436. The best mode of setting forth this incident, is to insert the report of the Section of Liquidation of this Department, of September 22d, 1877, in reference to this matter, which is as follows :

" Mr. Secretary : In this legal paper, the American citizens Francisco Iturria Brothers and Frederick O'Boyle, claim of the national Treasury the sum of \$19,449 23, value of merchandise embargoed, injuries, damages, and costs which resulted to them through orders of General Ignacio Revueltas.

"The fact was as follows: the latter being General-in-Chief of the 2d Brigade of the 3d Division, Political Chief and Military Commander of the 'Free Zone' on the line of the Bravo, and by virtue of the powers with which he was invested by the general government of the Mexican Republic, he issued the decree of December 8th, 1876, which is found on leaves 10 of the first folio, by which he imposed an extraordinary tax on all the inhabitants of his district of three per cent. on all kinds of capital.

"Messrs. Iturria Brothers and Frederick O'Boyle not only refused to pay this tax, but put themselves in rebellion, for which reason the general collector of rents of that district, gave an order of embargo against O'Boyle and the firm of Iturria Brothers, which is composed of Messrs. Bernardo, Santiago and Francisco Iturria; which, through the rebellion of the former, and the representative of the latter, the revenue officer was under the necessity of carrying out the execution; but, with especial care to comply with the laws in force in the matter, which are: those of January 20th, 1837, and November 20th, 1838, ordered to be observed by that of December 11th, 1871, as is set forth in the legal paper, which begins on page 32, and which was enforced, even to the sale by auction of the goods, and the judicial delivery of the warehouses to their owners. The section in examining scrupulously the legal paper mentioned, has not been able to note a single contravention of the laws in relation thereto.

"The claimants allege to establish their claim, that General Revueltas, at the date on which he issued the decree, had no power to do so, because, at the said time, Sebastian Lerdo de Tejada had already left the capital of the Republic, whence they erroneously infer that the political chief no longer represented the federal government.

"By the laws of December 2d, 1871, November 12th, 1875, and April 28th, 1876, the general Congress granted to the President of the Republic extraordinary powers in the Departments of war and finance. On February 19th, 1876 (as appears in the War Department), a telegram was addressed, authorizing, among others, General Revueltas, in case of urgent need, to provide himself with resources, and the telegraph being interrupted, he should avail himself of them in the way least onerous for the Treasury. It is a fact, that General Revueltas was empowered by the general Government, which is not denied by the claimants; on the contrary, they affirm it when they allege that those powers ceased on the exit of President Lerdo from the capital. It is a principle of public law, that a country should not have its government suspended even for a moment, and therefore every nation adopts it in its constitutional rules, as Mexico, whose fundamental charter provides: that in fault of the President of the Republic, the Supreme Court of Justice shall immediately enter to substitute him.

"From that principle, this other is logically deduced; in no point of the country does any public employee cease to officiate with all his powers, whilst he is not substituted by another. What would have passed in all the extensive territory of Mexico, if, by the exit of the President from the capital, all the authorities had ceased to officiate without being replaced? The most complete anarchy with all its horrors.

"Therefore, General Revueltas ought to continue with his powers, while he was not substituted; and therefore, when Sr. Lerdo de Tejada vacated the capital November 21st, 1876, on the 8th of December of the same year, General Revueltas was still at his post, and with power consequently to decree the impost spoken of. The Constitution says in its Art. 33, foreigners are under the obligation to contribute for public expenses in the way the laws provide.

"The treaty of peace, friendship, boundaries and definite arrangement between the Mexican Republic and the United States of America, celebrated February 2d, 1848, transmits this point from the 17th Art. of the treaty of April 5th, 1831, and says in its 9th Article, 'Citizens of both countries respectively, shall be subject to all the burdens, taxes, or imposts that are paid by the citizens of the States in which they reside.'

"Hence it results very clearly that, with the international arrangement between Mexico and the United States, Messrs. Iturria Brothers and Frederick O'Boyle were obliged to pay the tax of three per cent. emanating from a decree, which obliged all the inhabitants of the Free Zone of the Mexican Republic.

"The reason given by the petitioners, that many did not pay their tax, is a common case to every public impost, for never is what ought to be collected equal to what is collected.

"That those who paid the tax of three per cent. obtained bonds in exchange. This is only proved in the legal paper by the word of the petitioners themselves.

"As regards injuries and damages, the Treasury is not responsible, according to the law of November 19th, 1867, and the Regulation of June 18th, 1877, and less in cases like the present one, that have sprung from the fact that Messrs. Iturria Brothers and O'Boyle were rebellious in the fulfillment of their obligations as foreigners resident in the Mexican Republic. The collector of the line of the Bravo fulfilled his mission as revenue officer, as well as the executing agents, according to the laws on the subject.

"If Mr. Francisco Iturria stated, on regaining his warehouse, that there were wanting 1,298 lbs. from a tierce (bocoy) of tobacco, it does not appear except by his word; and if judicial presumptions result from the legal paper that that effect was extracted through the underground passage communicating with the contiguous house of the same owner, when the first was closed and sealed; above all, if the complainant believes that some individual has stolen it, it would be a fact for a criminal process, which should be prosecuted according to the common law of the country, and not for a claim against its Government.

"They set forth that the appraisements were made by the official judges at a sordid price. That is their individual responsibility and not that of the Treasury. That, on embargoing Francisco Iturria, they extended the act to the property of Bernardo and Santiago Iturria, which was because the three are the individuals forming the firm of 'Iturria Brothers,' and all were debtors to the tax.

"Lastly, the pleas, the claimants allege that the money which resulted from the embargo served to succor the troops which afterwards proclaimed the plan of Tuxtepec, and that the petitioners have always been punctual in the payment of their ordinary taxes, are so insignificant and slight to found a claim, that they ought not to be taken into consideration.

"On the foundations set forth, it is the opinion of the Section of Liquidation that this claim ought to be rejected totally.

"MEXICO, September 22d, 1877.

"From the illness of the Chief of the Section, T. VALERA."

f. Report of Sr. Eugenio Chavero on the Events of Matamoros.

1437. Sr. Eugenio Chavero, who was Administrator of the Matamoros Custom-House during almost all of the period in which the events occurred which the Report refers to, and who was therefore a personal witness of several of them, has rendered to this Department the following report, dated the 10th instant:

"The subscriber, in compliance with the provisions of the order of the Secretary, dated the 8th instant, that he should report regarding the facts which the United States Minister relates in his report of October 8th, 1878, as occurred in Matamoros during the revolution of Tuxtepec, I proceed to set forth the following:

"In the said document two facts are cited: That of an American merchant already aged, who did not pay the loan imposed on him, and for such reason was apprehended by night and carried outside the parapets of the city, where they were fighting with the revolutionists, holding him outside of a trench, exposed to the fire of the enemy, until the Consul interfered and obtained his release; and that of another American merchant, whose house was forced and his effects embargoed and sold at auction for having refused to pay a loan that was imposed on him.

"These two facts, which from Mr. Foster's Report, might be thought to have taken place simultaneously, occurred in two very different periods; the first in the last days of March, 1876, and the second in the last days of December of the same year, or first days of January, 1877. I do not recollect well the date of this event, for when it took place I had already left the custom-house of that port, and was in New Orleans, on my way to this capital, but I do recollect perfectly the first, and I will try to dispel the inaccurate reports communicated by the United States Minister.

"General Diaz, now President of the Republic, who had arrived at Brownsville, January 1st, 1876, passed to the Republic in the month of February following, already declared against the government which then ruled the country. For this reason all commercial transactions were benumbed in that place, nullifying the resources of the Matamoros Custom-House, the only ones that were counted upon to pay the garrison that defended the same place.

"This situation, aggravated by the necessity of daily supplies to the National Guard that had been raised to help in the defense, caused General Barra, appointed military commander of that port, to apply to commerce, soliciting loans, the greater part of which were covered, not with all possible good-will, as the minister states, but as a brilliant stroke of business on the part of commerce, for in exchange for the sums supplied, orders were given against the custom-house, payable in duties of importation, and with a premium of thirty and forty per cent.,

which orders were issued to all the loaners, and there were some who, before delivering the money on the loan dispatched their effects ; so that in reality there was no such loan, but under that name the introduction of effects was forced, the loaners obtaining thereby rich gains.

"In the last loan that was imposed, some merchants refused to respond to the call of the military authority, among others Mr. Sustendhal, a Frenchman by birth and an American by naturalization; ordered to be searched, for he was found at night at hours in which General La Barra was in the Monterey guard station; and General Toledo, the second in command, gave orders for him to be carried to a trench, which was one of the points where the garrison was. The American Consul having gone to my house for me for the purpose of our going to see General La Barra, to get his permission for the merchants detained in the custom-house to pass the night at their houses, the Consul compromising himself on his word that they should present themselves on the following day, he learned what had happened to Mr. Sustendhal, and asked for his release. Both things were granted at once. This was what passed. In regard to that they were fighting in the trenches, and that Mr. Sustendhal is an aged man that was exposed to the fire, are notoriously false reports given to the minister, for neither is Mr. Sustendhal an aged man, nor was there a single shot fired inside or outside of the city of Matamoros until the 2d of April, on which the place being delivered up, and part of the garrison having taken refuge in the 'Casa Mata,' a slight resistance was made before surrendering to the forces under the command of General Diaz.

"Such are the facts which took place; perhaps in some of the incidents I may be mistaken, for after so long a time my memory may fail, but I am sure that in the principal part they are correct.

"EUGENIO CHAVERO.

"MEXICO, January 10th, 1879."

g. General Considerations Respecting the Events of Matamoros.

1438. From the official documents in reference to the events of Matamoros which have just been inserted, it appears that the Report refers to two cases; the first of an aged man, a retail merchant, and United States citizen, who for not having paid \$300, which was imposed on him as a forced loan, was carried by the soliers, by night, to an entrenchment, where he was exposed to the fire of the enemy; and the second, to the exactions suffered by a United States merchant, without his having been indemnified therefor.

1439. Respecting the first case, it can be deduced from the terms of the Report, being compared with what has just been inserted (paragraph 1437), from Mr. Eugenio Chavero, that this case is that of Mr. Sustendhal, and the explications about it which Chavero gives, who accompanied the United States Consul when he presented himself on the very night of the event to the General-in-Chief to ask for the release of the persons detained, appear to be sufficient to sustain that neither Mr. Sustendhal is an aged man, nor was he exposed to the fire of the enemy; for there were then no hostilities; but that he was taken to a trench, for there were the quarters of the force to whose custody his person was entrusted.

1440. The second case to which the Report alludes, is probably that of the claim instituted by Messrs. Francisco Iturnia and Frederick O'Boyle. From the report of the Section of Liquidation already inserted (paragraph 1436), it appears that, in fact, such a claim was presented, in which was asked the payment of injuries and damages, these being calculated by the estimate of judges named by the interested parties; but this matter could not be decided without a previous clearing up of the facts, and information was asked of the Government of the State of Tamaulipas and of the Treasury office in the port of Matamoros, entrusting the communications, in which said reports were asked for, to the attorney for the claimants. Later, the reports asked for were received, but the interested parties have not made any further motion in the matter, notwithstanding that they have moved for the payment of other credits of similar origin, presented at the beginning by the same attorney, which were acknowledged to them, and more than half of the amount of which has already been paid them by the custom-house of Matamoros

1441. The Report asserts that a partner of the commercial house of Matamoros, which suffered the extraordinary taxes, came to this capital in October, 1877, to solicit the payment of his credits without having obtained it, notwithstanding he was willing to receive orders on the custom-house of Matamoros. If the Report refers to the credit of Messrs. Eversmann & Co., it has already been stated, that those he presented were paid; if it

1438. Cases stated by the Report of United States citizens who suffered injuries and vexations in Matamoros.

1439. Inaccuracy in the statement of one of these cases, according to the report of Sr. Eugenio Chavero.

1440. The second case to which probably the Report alludes has received the attention of the Government.

1441. Reply to the observation of the Report on the failure to pay one of the partners of a commercial house of Matamoros.

speaks of the claim of Messrs. Iturria and O'Byle, it is clear that the claim, being neither justified nor acknowledged, it was not possible to order its payment.

1442. From what has been shown thus far in reference to the events of Matamoros, it appears that the data which served as a basis to the Report, were very exaggerated, inasmuch as what was presented as a great exaction for the merchants of that port, was, in reality, a lucrative business for them, for they obtained, by that operation, a profit on their supplies of from 30 to 100 per cent., according to evidences in this Department; that the collection was made by virtue of a decree, which imposed a general tax, and that only those who refused to pay it suffered the consequences of their negative.

E. Assassination of Walter Henry, near Piedras Negras.

1443. This disagreeable event is perhaps the gravest of those mentioned in the Report, because the murder of a man took place, which did not occur in any of the other cases, and on account of the grave and unfounded charges made for that motive, by the United States representative, against the employees of the custom-house of Piedras Negras. To proceed with order in this matter, the following points respecting it will be considered:

- a. Text of the Report respecting the case of Mr. Walter Henry.
- b. Conduct of the Mexican Government respecting the same case.
- c. Blamelessness of the employees of Piedras Negras.
- d. Considerations resulting from the preceding facts.

a. Text of the Report Respecting the Case of Mr. Walter Henry.

1444. In relation to the United States citizen, Walter Henry, the Report says as follows:

"An American merchant, Mr. Walter Henry, who had for many years carried on trade in Chihuahua, had suffered so much on account of the Diaz revolution, being obliged to pay various forced loans of \$2,500, \$300 and \$150, besides giving a Henry rifle, a pair of pistols and a horse to the revolution, that he had at last to abandon that city and seek a more peaceful part of the country, choosing the city of Saltillo, in the State of Coahuila. He went to the United States, and bought a new supply of goods. On leaving San Antonio, Texas, he passed to the Mexican city of Piedras Negras, on the Rio Grande; carried his goods, as was in order, to the custom-house of the place, and paid the duties to the Administrator. On doing this, it became known that he carried with him a sum of four hundred dollars in cash. He left for the interior, with train of merchandise, towards Saltillo. At a short distance he was barbarously assassinated and despoiled of all his money, destroying, besides, all his papers. The Administrator, on learning of the murder and the destruction of his papers, sent a guard to take possession of the goods as contraband. But the Alcalde of the neighboring city of Zaragoza had already taken possession of them, and sold them for \$1,000, to pay the expenses of the burial of the deceased.

"Meanwhile the Consul of Piedras Negras, on being informed of the murder, went to the custom-house to acquire all the particulars possible about the quantity and kind of goods of Mr. Henry, for the purpose of taking possession of them, in the name of his heirs, and, after an investigation, it appeared that the former had not made any account of the money collected for duties, but had appropriated it, and that on learning that Henry was dead, and that his papers had been destroyed, he proposed to hide his fraud by confiscating the goods. These events took place about fifty days ago."

b. Conduct of the Mexican Government Respecting the Case of Mr. Walter Henry.

1445. On September 19th, 1878, this Department was informed in an extra-official manner, that some effects carried by Mr. Walter Henry had been seized, with documents that were supposed to be false, and information was immediately asked by telegraph of the Administrator of the custom-house of Piedras Negras, who replied in the same manner, with date of October 5th following, stating that the seizure of thirty-nine packages of merchandise belonging to the United States citizen Walter Henry was true, and that the falsification of documents issued by the Administrator himself in favor of these goods was a calumny.

1446. On October 4th, 1878, this Department sent a copy and translation of the note addressed to it on the 2d of the same month, by the United States Minister, in which he stated that he had received orders from the

1442. Great exaggeration of the Report respecting the events occurred in Matamoros in 1876.

1443. The murder of Mr. Walter Henry is the gravest case of those mentioned in the Report.

1444. Text of the Report respecting the case of Mr. Walter Henry.

1445. Report of the Administrator of the custom-house of Piedras Negras on the seizure of 39 packages of Mr. Walter Henry.

1446. Note of the United States Minister of October 2d, 1878, on the facts in reference to the murder of Mr. Henry.

Department of State, to call the attention of the Mexican Government to the facts in reference to the assassination of the United States citizen, Walter Henry, and the embargo of the effects belonging to him. It mentioned the facts as they were communicated to it, and informed that the commercial agent of the United States stated, that Mr. Henry had paid the duties on those goods to the Administrator; that an investigation having been made at the custom-house, it came out, that the said goods were not registered in that office; that the Administrator and his subordinates had appropriated the money; adding, that there appears to exist suspicions that the Administrator was not ignorant of the murder.

1447. On the 7th of the same month of October, 1878, this Department ordered this matter to be communicated to the District Court of Coahuila, in that a serious crime had been denounced, in order that it might institute the proper investigation, prosecuting the guilty, and working according to its powers; and to this effect a copy was sent of the complaint of the United States Legation of the 2d. The Governor of the same State was also urged to make investigations and to administer justice according to what resulted respecting the death of Mr. Walter Henry. Lastly, copies of the same documents were sent to the Custom-House Commissioner, Manuel Sevilla, for him to go immediately to Piedras Negras, to make the most scrupulous investigation of the facts, availing himself of every means he might think proper to discover the truth, reporting, without delay, to this Department.

1448. On September 11th, 1878, Sr. Joaquin Ortiz de Montellano, Auditor of the frontier custom-house of Piedras Negras, addressed an official communication to this Department, informing of the accusation of speculation, which the United States Commercial Agent at that point, had made against the employees of that custom-house, in the matter of Mr. Walter Henry, and sending copies of the communications exchanged between the Auditor, himself, and said functionary. The principal of these documents is that subscribed by the Commercial Agent, September 2d, 1878, addressed to the Administrator of Piedras Negras, claiming that the latter had received the duties on the goods belonging to the deceased Walter Henry.

• 1449. In an official communication, dated at Piedras Negras, September 3d, 1878, the Administrator of that frontier custom-house, gave account to this Department of the contraband attempted by the United States citizen, Walter Henry, and of the incidents occurred in its arrest, which official communication was transmitted, October 8th, 1878, to the Department of Foreign Affairs, and to the Revenue Officer, Sevilla.

1450. On October 8th, 1878, the Department of Foreign Affairs addressed a communication to the Treasury Department, remitting copy and translation of a note addressed to that Department by the United States Minister, dated the 7th of the same month, giving new particulars of the complicity of the Administrator of the custom-house at Piedras Negras, in the detention of the effects of Walter Henry, and still presenting the custom-house employees as accomplices in the authorship of that crime.

1451. In view of that communication, it was resolved by this Department, on October 9th, to remove the Administrator and Auditor from the frontier custom-house of Piedras Negras, the Inspector, Sevilla, remaining in charge of the office, in order that the presence of the suspended employees in the custom-house might not serve to shield them from the responsibility which should result; that this resolution be communicated to the Department of Foreign Affairs, and to the Inspector, Sevilla, and that to this functionary as well as to the District Judge of the State of Coahuila, be transmitted the official communication of the Department of Foreign Affairs, of October 8th, 1878, accompanied with a copy of the adjoined note from the United States Minister.

1452. It is considered proper, for the purpose of demonstrating the efficacy and justice with which the Mexican Government proceeded in this case, to insert here the instructions it gave to the Inspector, Sevilla, for him to discharge the commission which was entrusted to him in Piedras Negras. Those instructions are as follows:

“Particular instructions for the Government of Manuel Sevilla, appointed inspector of the frontier custom-house of Piedras Negras, relative to the fact of the importation of goods by the American citizen, Walter Henry, which are detained in Zaragoza.

“1st. He shall fulfill exactly the orders communicated to him by this Department on the 7th, 8th and 9th instant, remitting him copies of the documents passed to this same Department, by the Department of Foreign

1447. Steps taken by the Treasury Department to investigate what occurred, and to proceed with justice.

1448. Report of the Auditor of Piedras Negras on the accusation of speculation by the United States Commercial Agent.

1449. Report of the Administrator of Piedras Negras the seizure of 39 packages of Mr. Henry.

1450. Note of the United States Minister of October 7th, 1878, on the complicity of the employees of Piedras Negras.

1451. Suspension of the Administrator and Auditor of the custom-house of Piedras Negras.

1452. Instructions communicated by the Treasury Department to the Inspector Sevilla.

Affairs, and by the custom-house of Piedras Negras, all relative to the murder of Mr. Walter Henry, and to the embargo of the effects he was importing.

"2d. He shall examine minutely the custom-house books, to see if the goods brought by Mr. Henry paid the respective import duties.

"3d. He shall ascertain if it is true that the goods covered by documents of the custom-house of Piedras Negras, and if the originals, or copies, can be seen, he will make the due examination of the books with greater facility.

"4th. Through Messrs. Helario Herrera, J. M. Hartz, Riojas & Canales, Vicente Rodriguez, Alfredo Guyes, F. Burchardt, and J. W. Riddle, merchants of Paso del Aguila, who are those that most frequently certify to the invoices of goods imported to the Republic by Piedras Negras, proceeding from the United States, according to Art. 31st of the tariff, the Inspector will ascertain if Walter Henry had the invoices of his goods legalized, and in case this occurred he will try to procure copies of those documents, in order to compare them with the cargo, and add the respective legal paper.

"5th. He shall make the same investigation, and for the same ends of other merchants established in Paso del Aguila, if he thinks it will contribute to the desired result.

"6th. If the carrying out of the provisions of the preceding instructions throws no light on the subject, he shall try to find out the truth of the facts from the employees of the custom-house, and from the neighbors of the town, and so he shall learn if the goods went covered by documents issued by some employee of the custom-house, without making the due entries in the books, or if it is an unfounded calumny which is raised against some one of these.

"7th. The Inspector shall bear in mind that in the clearing up of these facts, and throwing the light of truth upon what has occurred, is interested not only the good of the public service, but even the good name of the country.

"8th. The Inspector shall give notice of all that is done under these special instructions, with the promptness which the case requires.

"MEXICO, October 9th, 1878.

(Signed)

ROMERO."

1453. In continuation will be seen the thorough and just manner with which the Inspector Sevilla discharged the commission that was entrusted to him in the custom-house of Piedras Negras.

C. Blamelessness of the Employees of Piedras Negras in the Affair of Walter Henry.

1454. The Inspector Sevilla transferred himself without delay from the custom-house of Monterey Laredo, to that of Piedras Negras, by virtue of the order that was communicated to him by this Department, October 8th, 1878, he immediately suspended the Administrator and Auditor of the said custom-house, and proceeded to make the investigation that was commended to him respecting the conduct of the employees in the case of Mr. Walter Henry. On the termination of this, he remitted a full account to this Department, with a report in which he sums up all the important incidents of the investigation, and demonstrates in a conclusive and indubitable manner the innocence of the employees of Piedras Negras in the matter of Mr. Walter Henry.

1455. Treating of an important affair, from the accusations that have been directed against the employees of Piedras Negras, it is thought proper, although with danger of making this exposition more extended than it should be, and since the investigation cannot be inserted *in extenso* to set forth, in continuation, the report of the Inspector Sevilla, which, although it is long, contains a concrete statement of the facts, which it is impossible to abbreviate without injuring its clearness, nor omit anything it says, for the complete clearing up of the facts occurred in the case of Mr. Walter Henry.

1456. The report of Mr. Sevilla is as follows :

1453. The thoroughness and justness to be shown with which the Inspector Sevilla proceeded.

1454. Proceedings of the Inspector Sevilla, and his report on the innocence of the employees of Piedras Negras.

1455. Propriety of inserting, for greater clearness, the report of the Inspector Sevilla.

1456. Text of the report of the Inspector Sevilla of January 15th, 1879.

" Frontier Custom-House of Piedras Negras, No. 26. In fulfillment of the instructions which that Department thought proper to remit me, and with the documents accompanying said instructions, I proceeded, as soon as those documents and instructions were in my possession, to carry out the investigation ordered, relative to the facts denounced by the United States Commercial Agent resident in this village.

" The said Commercial Agent throws upon the Administrator of this custom-house, and upon some other employees of it, whom he does not designate, the grave charges of peculation and complicity in the murder of the American citizen, Mr. Walter Henry, according as appears from the note he addressed to the Auditor of the same custom house, Sr. Ortey de Montellano, dated September 6th, ultimo. An accusation made, also, in clearer and more absolute terms by the United States Minister resident in Mexico, as results from the different notes passed by the said Minister to the Department of Foreign Affairs, dated October 2d and 7th last passed.

" The first of said functionaries in his said communication of September 2d, says: That the goods brought by Mr. Henry were passed from Paso del Aguila to this village on August 10th, and at hours in which despatch was yet being done at the office and in one of the boats engaged in the trade between one and the other shore of the river, fixing at 46 as the number of packages imported by Mr. Henry. He claims that this importation took place legally, and says that Mr. Henry paid the Administrator, Sr. Morell, \$1,700 for the duties, and \$100 for the issuing of the custom-house documents, adding that the said Sr. Morell sent to Zaragoza, an employee of the guard, in his entire confidence, for the purpose of recovering those documents, which highly compromised Morell, and that employee tried to seduce the cartmen, offering them money to declare they had received Mr. Henry's goods by night in the mountain in a place outside of Piedras Negras. He rests this accusation on the word of Messrs. Emilio Callen and Juan Canterbury on the report which, according as he says, was furnished him by three person, whom he does not designate, and on the word of the Alcalde of Zaragoza, who, according as the Commercial Agent states, manifested upon refusing to deliver the goods of Henry to the custom-house employees sent for that purpose, that he had proofs that the said goods had been imported through the port and the duties paid.

" For his part, the United States Minister resident in Mexico, in his note addressed to the Department of Foreign Affairs, October 2d, says, in absolute terms, that Mr. Henry introduced his goods publicly through the custom-house, and there paid the corresponding duties; and referring to the report of the Commercial Agent, he accepts as a fact, which admits of no doubt, that the employees appropriated the money product of those duties for individual purposes, and that the Administrator Morell, decreed the seizure of the goods Mr. Henry was carrying, as soon as he learned of the disappearing of the papers of the latter. He is still more explicit in his note of the 7th of the same month of October, for in it he says that he has received, from a confidential source, and worthy of every credit, a more complete proof of the evil proceedings of the employees of this custom-house, the proof of which consists in the confession made by the Administrator, Sr. Morell, of having received the amount of duties due on the goods imported by Mr. Henry, and in the attempt of Morell to celebrate an arrangement with the Commercial Agent, on the basis of the return of part of the duties paid by Henry, remaining with the rest, and the goods, declaring them contraband.

" For the United States Minister to have said this, with such certainty, the report remitted by the Commercial Agent to the American Government, must have been written in such a positive manner, and rested on such proofs that they leave no room for doubt respecting the facts which they denounce; a positiveness which is not noted in the communication which the same Commercial Agent addressed, on September 2d, to the Auditor, Sr. Ortey de Montellano. As regards the proofs on which the said agent rests his accusation, I have not been able to perceive them, for he did not even deign to reply to the note which I addressed him on November 27th last past, having, therefore, to limit myself to the testimony of the persons whom he cites in his communication in relation thereto, of September 2d, and to the declarations, reports and other documents accompanying the legal paper I have the honor to remit. They are, however, sufficient in my conception, to enable that Department to form an exact judgment of the events, and to deduce the degree of guilt of the employees who are accused.

" The books and whatever documents existing in this office, that might have any bearing upon the affair in reference to Mr. Henry being examined with the greatest care, it does not appear from them that the duties were paid which were due on the merchandise imported by the latter, nor do any of the entries refer to the number of packages designated by the Commercial Agent, nor does the name of Mr. Henry appear in any way; nor in examining the invoice made on receiving the effects of the custom-house, is there any document whatever of merchandise which agrees in class, number or measure with those brought by the said Henry.

" From the declarations of Messrs. Morell and Montellano, it appears that the custom-house had no knowledge of the importation of goods accomplished by Mr. Henry, except on the day on which the Commercial Agent presented himself at the office, soliciting that the data he was in search of on this same importation might be furnished him. Then it was, according to those declarations, that it was ascertained, through the same agent, the date (August 10th) on which the importation took place, and knowledge was had of the death of Mr. Henry,

it being noticeable that the said agent was the first to give the news of this event in the town, which up to then, as appears from the evidences of the legal paper, was totally unknown. It appears in the same declarations, and is corroborated in that of the chief revenue officer, that previous to the date of August 10th, Mr. Henry presented himself at the office in quest of the Administrator, Mr. Morell. This employee says, in his declaration, and his word is confirmed by what Sr. Emilio Callsen states in his communication of November 8th (leaves 56 and 57 of this legal paper), that Mr. Henry's object was to inquire if the custom-house was authorized to make any reduction of the duties fixed in the tariff on foreign goods imported into the Republic. An inquiry he also made through Mr. Callsen according as appears in his said communication of November 8th. To such question the Administration replied, that he had no authorization whatever for it, the interview being thus concluded.

"It is necessary for me to call the attention of that department to the pretension of Mr. Henry, because from it results very naturally the presumption that he did not come with the object of trading legally with the Republic, a presumption which is strengthened by the reading of the said note of the United States Minister of October 2d. In it the said Minister says that Mr. Henry had been occupied for many years in mercantile affairs in various parts of Mexico, and that during five years or more he had resided in Chihuahua as a trader, and it is not possible even to presume, that a person having so long a practice in the commercial affairs of the country, and who ought to know its fiscal laws so well, could suppose that an administrator of a custom-house would have any authorization to establish differential duties. The present tariff has been in force for many years, and if by reason of the disturbance of public peace, and in certain localities it might fall momentarily into disuse, it has been put again in force as soon as peace has been re-established, and on August 10th, the date fixed by the Commercial Agent for the importation, the entire country was quiet, and consequently its fiscal dispositions were in all their vigor. But there is, also, another fact which must be borne closely in mind; Mr. Callsen, in his communication referred to, of November 8th, says that Mr. Henry was recommended to him by a Galveston house, which house begged Mr. Callsen to assist Mr. Henry in the arrangement of his affairs; that the latter stated to him that he had some goods in San Antonio, which he intended for the Zacatecas market, and that he came to him for information on the respective expenses and duties. There being in San Antonio a Consul of the Republic accredited to the United States Government, and the same city of San Antonio being the place where Mr. Henry bought the goods he intended for the Zacatecas market, it was more natural that he should have applied to the said Consul, either in solicitation of the data he desired to obtain, or to legalize the documents with which he must introduce his goods; but in no wise was the Consul consulted, and this causes the suspicion that the preconceived idea was entertained of defrauding a part of the revenue duties, if he could corrupt the custom-house employees, or all of the duties, if the first intention being frustrated he succeeded in getting his goods in at all hazards; for I repeat, it cannot be supposed in a person who knew thoroughly the manner of doing business in Mexico, such an ignorance of the rules which the custom-house tariff establishes for the importation of goods coming from abroad, and that for the same reason it cannot be admitted that after the payment of a greater or less sum of money, it should consent to the delivery of documents, which were not issued in proper form to authorize the goods which he carried. A circumstance very worthy of note also is, that according to the statement of Sr. Ortez de Montellano in his declaration the United States Commercial Agent had, and still has, motives of personal enmity towards the Administrator, Sr. Morell, a circumstance that ought not to be disregarded in treating of the Commercial Agent, for reasons I shall have the honor to set forth further on.

"The revenue officers covering the service of the River on August 10th, being examined, it does not appear that on that day, nor before nor after it, up to the afternoon of the 14th, on which they were relieved, were the goods belonging to Mr. Henry introduced, both of them affirming that the only effects proceeding from Paso del Aguila that were imported on the afternoon of August 10th were the property of Messrs. Riojas & Canales. As, according to the Commercial Agent, the goods of Mr. Henry were carried in four carts, passing to the village in one of the boats employed in the river trade, it is to be noticed that one of the said revenue officers, Ramon de la Hoz sets forth in his declaration, that on the afternoon of August 22d, he was called by the Commercial Agent, and that the said gentleman made him offers of money to declare against the Administrator, Morell, in the affair relative to Mr. Henry, because it so suited the individual interests of the said agent, and of the Auditor, Sr. Ortez de Montellano, a thing which Sr. Hoz refused, adding that on that afternoon the Commercial Agent was in a complete state of intoxication. I may be permitted to call the attention of that department to this part of the declaration of Ramon de la Hoz, because it supports and proves in a certain manner, the statement of Sr. Ortez de Montellano, respecting the personal animosity harbored by the Commercial Agent against the Administrator, Morell.

"The revenue officer in command, as well as the other individuals of the preventive service, being examined, with the object of ascertaining exactly in relation to the importation effected by Mr. Henry, and the truth concerning the sending an individual of the service to the village of Zaragoza for the purpose of getting posses-

sion of the papers, which, according to the United States Minister and the Commercial Agent, were carried by Mr. Henry, and which disappeared after the death of the latter, it does not appear from the respective declarations that any employee was despatched by the custom-house in the direction of Zaragoza, except it was on the day that notice was received by the same Commercial Agent, that on the death of Mr. Henry, the authorities and neighbors of the village of Zaragoza had seized the goods carried by Mr. Henry, and then it was not one of the revenue guards, but a section of these, assisted by another of the Federal force, that was sent for the purpose of gathering and taking to the custom-house the cargo that was represented to be of contraband importation, inasmuch as there was no evidences of the payment of the respective duties. In examining the roll book of the service of the corps of revenue guards, it does not appear, though, in said book, as well as in the declarations to which I refer, that on the 6th day of August a party was appointed, composed of four revenue guards, with the commander at their head, which, assisted by some soldiers of the Federal force, went out towards the Presidio of Rio Grande, following the shore of the Bravo to the point called 'Las Islitas,' from whence it returned by the same road, arriving at this village the 14th of the same month of August; that is, the party went out four days before and returned four days after the one on which the Commercial Agent says the importation of Mr. Henry's goods took place. By the declarations already made, it does not appear that from the party that went out towards the Rio Grande, any individual was dispatched in the direction of Saragoza, and likewise there is no evidence that any one of the revenue guards remaining in the town were dispatched to that village.

"Jesus Loy, in charge of the Mexican boat that carries freight from one side of the river to the other, being called upon to testify, and on whose testimony the Commercial Agent also rests his accusation, it does not appear from his declaration, that the goods carried by Mr. Henry passed in the boat then under his charge, and the said Loy has not been able to recollect a single circumstance relative to this affair, for all that I tried to help his memory. If the declaration of Sr. Loy is considered, it will be understood that it would not be possible but that if Mr. Henry's cargo had passed through his hands, he would recollect some circumstance, whatever it might be, that would give room to presume even that said cargo had been imported legally.

"Apropos of the declaration of Sr. Loy, it is necessary for me to call the attention of that Department to some facts that have taken place by reason of the unfortunate affairs of Mr. Henry, facts which I do not doubt will help that same Department to estimate the conduct of the Commercial Agent and his accusation at their real value. Previous to Loy's being called, I was informed by several persons that the Commercial Agent was occupied in Paso del Aguila, in raising before one of the judges of that city, Mr. Dell, a suit of inquiry, the object of which was to seek proofs on which to support his accusation, causing me to notice both the irregularity of the proceedings followed, and the class of persons called upon to testify. It surprised me much that four months after the events which resulted in the death of Mr. Henry and the confiscation of his effects, the Commercial Agent should have to appeal to that recourse to prove the truth of his statement, for it was very natural to suppose that when he resolved to formulate his accusation, he had already in his possession proofs of such a nature as not to leave the slightest doubt of the guilt of the persons indicated by him. No less did it surprise me to know that the persons were examined in his presence, whom the judge called to testify, and taking part himself at times in the interrogation, it being noted that some of the witnesses are Mexicans who do not know the English language, and, notwithstanding, their declarations are put down in that language, making them so to sign them. Perhaps my ignorance of the practices observed in the American courts, makes me class these doings as irregular; but what cannot be satisfactorily explained is the following: not many days ago there was present in this village an American citizen, Mr. James Gibson, accused of being one of so many marauders who pass to our frontier to steal cattle. Gibson succeeded in escaping, and his flight was favored by some fellow countrymen of his, who corrupted the force that guarded him, those being not lacking who say that the Commercial Agent was one of those who projected that flight; well, then, once in Paso del Aguila, Gibson, as I am informed, has been called to testify in the inquiry before Mr. Dell, and he has been seen walking with the latter and the Commercial Agent, it being noted that many of those that have declared in the inquiry raised in Paso del Aguila are more or less of the class of Gibson. What can be the decision from such an inquiry? It is not for me to say.

"On the day following my having received the declaration of Loy, the latter was called to declare before Judge Dell, and information having been given me that a proceeding analogous to what I have indicated, had been followed, I call Loy again that he might rectify this report, and I applied to the civil judge of this village, in order that, in the presence of the Commercial Agent, he might be interrogated on the points embraced in my communication, which figure on leaves 110 and 111 of this legal paper, dated December 5th ultimo. The Commercial Agent declined to attend, the business I solicited being accomplished without his presence. Doubtless in consequence of this, and also, perhaps, because the declaration given by Loy before the judge at Paso del Aguila did not result to the taste of the Commercial Agent, it was, that the latter tried to get Loy removed from the charge of the river boat, thus depriving him of his only resource for the support of his family.

"At the same time, that by means of the declarations of the employees, I was trying to ascertain the truth, as well upon the legality of the importation of the goods introduced by Mr. Henry, as upon the participation of some of the same employees in the double crime of peculation and complicity in the murder of Henry, I applied, according to the instructions of that Department, to Messrs. Emilio Callsen, Juan Canterbury, J. M. Hartz, Riojas and Canales, Vicente Rodriguez, Alfredo Guyes, F. Burchardt and J. W. Riddle, that they might furnish me with what data they might have on the Henry affair, informing myself at the same time if they had certified to the documents by which the importation should be made. I have already had the honor to notice, apropos of the communication of Mr. Callsen, one of the persons on whose statement the Commercial Agent rests his accusation, that Callsen himself confesses, that he had nothing more to do with the business of Mr. Henry than to have afforded him a place in which to store his goods, to deposit his money and arrange for him the documents which for exportation he must present in the custom-house of Paso del Aguila, having tried also to arrange the introduction into the Republic, for which he addressed a writing to the Administrator, Sr. Morell, asking him if he was authorized to make any reduction in the duties, to which he was answered in the negative, and that by reason of this answer he informed Mr. Henry that it was impossible for him to take charge of the importation of the goods, except on the basis of satisfying the full duties. Callsen states, also, that the Commercial Agent himself, it was, who told him that some guards had departed very hurriedly in the direction of Zaragoza, and for that reason he gave him his opinion on the event, though, without authorizing him to make use of it, expressing what in fact he showed, that he was very mortified when he learned that the custom-house had confiscated the effects of Mr. Henry, in the supposition that the money the latter had asked of him, would be for the payment of the import duties, but he doubts having said that what he paid Henry, was paid to Morell, or other person, for he was ignorant of this, and he concludes by saying that in so grave an affair, he cannot mention or declare anything that he has not witnessed, or of which he has not sufficient proofs to sustain. The obscurity noticed in the communication of Mr. Callsen, gives reason to believe that this gentleman, if he does not know it to a certainty, at least suspects that Henry had some arrangement with Morell for the introduction of the goods, and so he stated to me in the interview I had with him, telling me besides, that he had seen the carts loaded with the merchandise of Henry pass by the door of his house, but it does not appear to him that they passed the river.

"Here it is necessary for me to again call the attention of that Department. Henry being recommended to Sr. Callsen, for the arrangement of the business relative to the importation of the goods he carried, destined for Zacatecas, it is evident that he manifested his intention of passing those goods, by eluding the payment of all or part of the duties due the Mexican Custom-House, for only so is it explicable that Mr. Callsen should have addressed Mr. Morell, asking him if he was authorized to make any reductions in the duties, an inquiry which was on Callsen's part entirely useless, for he knew perfectly well himself what to abide by in that particular, being, as he is, one of the persons that import goods every month from the United States. The idea that Henry made his importation in contraband, is further supported by the circumstance that, on not being so, he would not have asked if a reduction of duties could be made to him, and Mr. Callsen, better than any one else, would have taken charge of making the documents which were to be presented at the Mexican Custom-House, a thing which it does not appear had been intended by Mr. Henry. It might be objected that Henry availed himself of Callsen for the arrangement of the documents with which he was to legalize, and did legalize, in fact, the exportation of his goods, pretending to prove with this the legal importation into the Republic. This circumstance proves nothing, for the cases are, unfortunately, very frequent, in which the goods imported have left the duties unsatisfied, and, notwithstanding, have legalized the exportation in the American offices; for the smugglers, who try so hard to defraud the duties of the Mexican revenue, do not elude any of the formalities prescribed by the United States Government, doubtless, because there the punishment is not delayed, which the laws impose on the transgressors. There is no doubt, then, that the goods imported by Mr. Henry were so done in contraband, notwithstanding he may have paid Morell a greater or less sum for the dissimulation of this clandestine operation; but yet this part of the accusation has not been able to be proved, even though Mr. Callsen harbors the suspicion that it was so.

"The Commercial Agent, supporting himself, also, on the word of Mr. John Canterbury, states, in his note of September 2d, that Mr. Canterbury told him that the transaction of the importation of the goods of Mr. Walter Henry, was made with Mr. Morell, and that the latter gentleman was very uneasy about it, for if it was discovered, he did not know how to save himself from such responsibility. Mr. Canterbury, in his communication, which appears on leaves 58 of this legal paper, dated November 9th, says that all he knows in relation to the affair of Mr. Henry, is that the said gentleman was assassinated in a place beyond Zaragoza, and that in regard to what the Commercial Agent states, respecting what he told him about Mr. Morell is completely false, or he has never mentioned to him even the name of the latter gentleman.

"From the communications of Messrs. Hartz, Vicente Rodriguez, Riojas & Canales, Alfredo Guyes, Burchardt and J. W. Riddle, which appear on leaves 78, 79, 80, 99, 103 and 104 of this legal paper, it does not appear

that said gentlemen have certified the invoices and manifest with which Mr. Walter Henry should introduce his goods into the Republic, nor does it appear, either, that he applied with such object to any of them, whether personally or through Mr. Callsen, who had been recommended to assist Mr. Henry in the arrangement of this business, it being noticeable that not a single one of the said gentlemen, who speaks of having had even the slightest relations with Mr. Henry, taking notice that, with the exception of three or four houses, they have absolutely no relations with this office, because they make no importations to the Republic, at least, directly and legally. I have applied to all the merchants in Paso del Aguila. The communications of the said gentlemen are, in my conception, a further proof that the goods carried by Mr. Henry were not imported with the formalities provided by law.

"The Commercial Agent says, in his so often-mentioned communication of September 2d, that one of the employees of this office, who was in Zaragoza, tried to seduce one of the cartmen conducting the goods, by offering him money, to declare that he had received the cargo in the mountain outside of Piedras Negras, and by night, a thing that he learned through the report of three different persons, which he does not name; and adds, that the Alcalde of Zaragoza refused to deliver up the goods of Henry, when they were claimed by the custom-house, saying that he had proofs that said goods had been imported through the port and the duties on them paid.

"The Alcalde of Zaragoza in his report, dated December 11th, which appears on leaves 126, 127 and 128 of this legal paper, denies having said that he had proofs that the goods of Mr. Henry had been imported through the port and the duties on them paid. In the same report he says that, in order to clear up the fact that one of the revenue guards of this custom-house tried to seduce one of the cartmen conducting the cargo, a concise process of inquiry was entered, and in the name of the law, the four cartmen, conductors of the cargo, were examined, that they might express clearly and precisely if they had been seduced, or any offers had been made to them by any employee of the custom-house, and if they knew such employee they should tell his name, and notwithstanding having been examined under the severest formulas of the law, they all affirmed that no employee nor any private individual had come to make them any offer in that respect. The same Alcalde in his mentioned report states (and to this point I again call the attention of that Department) that the government taxes being abolished in the State, and treating of a cargo composed of foreign goods, nobody paid any attention to those carried by Mr. Henry, nor sought to ascertain if they had been imported legally or not; that it is true that the carts were standing in the streets of the town three or four days, putting their number at three, adding that afterwards another was taken to lighten the load of the rest; that it was after the unfortunate event of the death of Henry, when suspicions were conceived, that the cargo had been wrongly passed, from the circumstance that the said Henry had presented himself to the Revenue Collector (which that employee confesses), inquiring if foreign goods needed a guide or pass to travel through the State, and that not being so, if they would provide him with a guide, he paying what he might be worth, that employee, having replied that he did not wish to compromise himself by despatching guides for foreign merchandise. The Revenue Collector of Zaragoza says, on his part, in his report, dated December 22d, found on the leaves of the legal paper, that the said Henry presented himself at his office, very reservedly asking him, as the second revenue office of the district, to provide him with documents to take some goods to the interior he was bringing from San Antonio, offering to pay him the duties, as coming from the State, provided he could pass through it without any obstacle; offering at the same time a gratification to those who should make out said documents for him, provided this was done with the greatest reserve possible, which that employee refused, telling him that only the custom-house could supply such documents, by virtue of which the State does not collect duties on goods passing through it, unless for pieces of foreign '*manta*' that are sold, and for that reason he could not give him a guide to the point he asked, still less the proceeding he solicited, as he considered it a grave prejudice to his character of public employee. A little further on the said receiver of rents adds 'that it is believed, from the instances he made him, that he was not legally registered with documents.' From the reading of the reports I have cited, it is comprehended without any violence whatever that the goods carried by Mr. Henry were not imported legally, for if they had been so he would have carried with him the documents which the custom-house should have issued to him to cover those goods. It may be objected that Henry had an extra official understanding with Morell, and that the amount of the duties were distributed between the latter and the employees, for individual purposes, instead of going into the cash of the office, as the United States Minister relates; but even in this case, Henry should have exacted of Morell documents sufficient to cover his goods up to the point of their final destination, for he knew that these documents were altogether necessary, as well because the law so provided, to which it was his duty to conform, as because it was necessary to cross the line covered by the counter-guard, where such documents would be required of him, and I say he knew this, because it is not possible to suppose that he was ignorant of it, if his long residence in the country as a merchant, is taken into account; but even admitting such ignorance on his part it cannot be admitted that Mr. Callsen, to whom he came recommended for assistance in this business, should fail

to acquaint him with the formalities he had to fill in order to carry his goods to the point of their final destination. I have not lost sight of the fact that the United States Minister, as well as the Commercial Agent, say that Morell issued the documents which authorized the cargo of Henry, that the latter paid a hundred dollars for the issue of such documents, and that after the death of Henry, Morell sent an employee, in his confidence, for the purpose of recovering those said documents, which highly compromised him.

"I have already had the honor to state, that it in no way appears that any employee was dispatched for the purpose of recovering such documents; but even admitting for a moment that it had been so, how explain, then, that Mr. Henry should present himself to the sub-receiver of rents of the State in Zaragoza, soliciting of this employee the issue of documents to authorize the transit of his cargo through the State of Coahuila? What necessity had he of those documents, if the Administrator Morell had issued them to him, and not only that, but collecting a hundred dollars for them? The pretension of Henry, his insistence that the sub-receiver should issue him the documents, offering to pay him what they were worth, is it not proving that he did not carry such documents?—and proved as this is, what were the documents that Morell tried to recover, sending therefor an employee in his confidence as soon as he knew of the death of Henry? Very naturally, there results this conclusion: Henry imported and took into the interior, as far as Zaragoza, clandestinely, the goods he carried; there he doubtless comprehended that, traveling as he was, with carts drawn by oxen, the progress of which is very slow, it was almost impossible that he would escape being reached on the road by some section of employees, either of this custom-house or of the counter-guard, and necessarily, he tried to procure, at all cost, documents to authorize his goods, at least until he could get out of the State, or get means of more rapid transportation. There is, then, nothing appearing in the legal paper that supplies the slightest proof that the goods of Henry had been legally imported, or even introduced into this town. The communications of Messrs. Conrado Perea, Francisco Mondragon, Jose M. Gonzales and Jesus Villareal, all neighbors of standing of this village, throw no light upon this; and, respecting the two first, I must note the circumstance that the position occupied by their respective business houses puts them in a position to see everything coming from the margin of the river to the office, and, with more reason, that which, by its volume, is transported in carts.

"But there is still more: Sr. Perea, in his communication, dated December 17th, says, that on Saturday, August 10th, in the afternoon, precisely on the date indicated by the Commercial Agent as the day on which the importation of Henry's goods took place, he paid to the latter an order proceeding from the house of Riojas and Canales, to the value of \$1,730, and adds, that he did not see either carts or merchandise introduced by Mr. Henry, and he is almost certain that the said gentleman never presented any goods at this custom-house, for the reason that he has never observed any cargo in this place which was said to belong to him, and it must be borne in mind that Sr. Conrado Perea is the agent in this village of Messrs. Gros & Callsen. Well, now, if the goods of Mr. Henry were imported to this place on the afternoon of August 10th, at the hours in which dispatch was still made at the office, according as the Commercial Agent states, how could such an operation have passed unperceived by Sr. Perea, it being that same afternoon that he paid Henry the orders of Messrs. Gross & Callsen and Riojas & Canales? Mr. Perea, being as he is, agent in this place of the former of said houses, how explain that Mr. Callsen should neglect to recommend Perea to assist Henry in the arrangement of the business relative to the importation, and how is it that Henry, receiving from Perea precisely on that day, the value of the orders of which he was bearer, made no mention to him of the cargo he was bringing, which in those moments ought to be passing to that place? In the communication to which I refer to, no mention whatever of this is made; on the contrary, Sr. Perea says he is sure that Henry has never presented any goods at that custom-house. Sr. Francisco Mondragon, in his communication of December 11th, says that he does not know, nor does it appear to him, that Mr. Walter Henry introduced any goods into this place on the afternoon of August 10th, for their revision at the custom-house; that he did not know Mr. Henry, and adds: 'Up to the present time I have no suspicion whatever that the Administrator and employees of the custom-house have celebrated any arrangement to defraud the duties of this custom-house.' I have already had the honor to call to the notice of that department that Messrs. Mondragon & Perea have their respective commercial establishments, situated in such a way that they cannot but see anything coming to the custom-house from the margin of the river.

Sr. Jose Maria Gonzalez, in his communication dated December 21st, says: that he knows nothing, nor did anything come to his knowledge respecting the goods brought by Mr. Henry, his statement being the more notable, as Sr. Gonzalez was the President of the municipal corporation in the year last past, and in the case that Mr. Henry's goods had been imported he would have known it immediately, for the carts which pass to this village, loaded from Paso del Aguila, pay to the municipality a duty of five reales for each one, without there existing any evidence that the said payment took place in anything connected with Mr. Henry, on the date referred to by the Commercial Agent. Sr. Jesus Villareal, an honored citizen of this village, manifests an equal ignorance respecting the affairs relative to Mr. Henry. In conclusion, all the persons I have applied to in search of data, which might in some way contribute to the clearing up of the truth, reply that Mr. Henry did not make his impor-

tation through this village, and that the news of the death of the latter came to his knowledge by public report, and by what the Commercial Agent himself said on the unfortunate event ; but, there are documents and declarations in the legal paper, that make it manifest that Henry neither imported his goods legally nor passed them through this village, nor carried with him any document to accredit that those same goods had been introduced and taken into the interior, subject to the provisions of the law in the matter, the charges remaining consequently destroyed of peculation and complicity in the murder of Mr. Henry, which is thrown upon the employees of this custom-house by the United States Minister resident in Mexico, and by the Commercial Agent of the same Republic in this village.

" But the Minister, in his note addressed to the Department of Foreign Affairs, dated October 7th, says: that through a confidential source, and worthy of all credit, a more complete proof had been received by the American authorities of the evil proceeding of the employees of this custom-house, which proof consists in the confession of the Administrator Morell of having received from Henry the amount of the duties, and his attempt to arrange this affair with the Commercial Agent, on the basis of a return of a part of those duties being made by Morell, remaining with the rest, and with the goods, declaring them contraband. The confidential source, and worthy of all credit to which the United States Minister refers in the said note, is, as I am informed, Sr. Raimundo Navarro, a merchant established in Laredo (Texas). With the object of properly clearing up this point, I addressed to the Administrator Morell, dated December 7th, the communication which appears on leaves 114 of this legal paper, who replied with one of the same date, received the 9th, and which appears on leaves 123. In it Morell says: 'that he does not comprehend how the Commercial Agent has been so hasty in saying things that have never passed, for, if he has confessed that he received the duties on the goods of the deceased, Walter Henry, it is to be supposed that that person has his name, and that consequently he would like the Commercial Agent to say who he is, in order to thus clear up that doubt.' In fact, no one, however stupid he may be supposed, makes free and full confession of a crime, without his being convicted of having committed it, with proofs that leave no room for the least doubt. Mr. Morell explains in continuation the participation of Mr. Raimundo Navarro in the affair, and says as follows : respecting my attempting to make any arrangement with him (the Commercial Agent), by means of any person representing me, it is a falsehood, rare for its magnitude ; in my conception, the Commercial Agent ought to indicate pointedly who those persons are, who had to do with that subject, in order to come promptly to the end of it. The Commercial Agent also says that Sr. Raimundo Navarro, merchant of Laredo (Texas), tried to celebrate an arrangement with him ; of this, I only know that Sr. Navarro was, one day, with the Commercial Agent, in the morning, and then Sr. Navarro went to my house in the night of the same day, and told me that he had spoken with Mr. Schuchardt respecting the affairs of the deceased Henry, and he wished officiously to enter into arrangements with the said Schuchardt. On learning this, I disapproved it, and told him seriously that he had said things that I would not do or say myself, having had no participation in the importation of the goods of Mr. Henry. By a happy casualty Mr. Raimundo Navarro arrived in this village in those moments, and as soon as I knew of his arrival I addressed him a communication dated December 16th, which appears on leaves 129 of the legal paper, to which he replied with date the 17th, received on the 20th, which is found on leaves 136. In it Sr. Navarro says, that in fact he spoke with the Commercial Agent on the unfortunate event of Mr. Henry, whom he did not know personally, and respecting whom, he only knows that he was assassinated at a point called ' Puerto de las Codornices,' on the road from Zaragoza to San Juan de Sabino, a thing that came to his knowledge by public report, and by the conversation he had with the Commercial Agent, and adds 'that it is beyond measure strange to him, the matter in reference to his having been an intermediary to the United States Commercial Agent to arrange the said affair, for it was absolutely false that he had approached the said Commercial Agent with the object of celebrating arrangements in relation to the Henry affair, as well as that he had any commission for such arrangements, nor much less any authorization of Morell that could give him the character of an intermediary in the affair. Sr. Navarro, in the said communication, does not enter into particulars on the conversation he had with the Commercial Agent, nor does Morell detail either what passed in his interview with Sr. Navarro, limiting himself to saying that the latter stated to him that he wished officiously to enter into arrangements with Mr. Schuchardt, a thing which Navarro does not notice, rather on the contrary, he denies having pretended to make arrangements with the Commercial Agent, and much less with authorization and by commission of Morell.

"The disagreement noted in the statements on this point by Messrs. Navarro and Morrell in their respective communications would give room for some suspicion as to whether Morell had in fact any arrangements with Mr. Henry for the importation of the goods ; but outside of these circumstances, which cause some slight shade of a doubt to be harbored, there is nothing in the legal paper that can raise a suspicion that it had been so, for it would be absurd to suppose that Morell would have denounced himself, availing himself of the intervention of a friend, precisely before the Commercial Agent, who was his accuser and his personal enemy. Perhaps a wrong interpretation of the events springing from the conversation which the Commercial Agent had with Sr. Navarro,

and perhaps also the terms in which the Agent presented the question, and his manner of estimating the facts caused Mr. Navarro to be inclined to intervene officially to save Morell the mortifications and disgusts which enter always into affairs of this kind, but in this case can the imprudent officiousness of a friend be admitted as a plain proof, when from the investigation instituted it is proved that Henry did not effect the importation legally, nor carry the documents with which he ought to cover his goods. That department will estimate this fact as it may deem just.

"The United States Minister, in his so often-cited note of October 7th, says: 'That he has instructions from his Government to renew the demand already made, and that a scrupulous investigation should be carried into effect, to discover and rigorously punish the guilty ones in this complex crime, and to say that this case of outrage and murder is considered by his Government as an important factor in the problem, on the capacity of Mexico to protect life, and enforce the laws on its respective frontiers. It is evident that the Mexican Government, for its own honor and for the decorum of the Republic, has the greatest interest, that the crimes should be severely punished both on the frontier and in the rest of the country, and I do not doubt that the tribunals to which the laws entrust the knowledge of this class of affairs will fulfill strictly their duty, whenever the true authors of this crime are discovered; but as a Mexican, and employee of the Government, it may be permitted me to manifest my humble judgment on the final part of the note, in point, of the United States Minister. The perpetration of crimes in the neighboring State of Texas, as horrible, or more so, than that which justly calls the attention of the United States Government, is of frequent occurrence. Many of these crimes have remained unpunished, either because it has not been possible to apprehend the delinquents, or because the tribunals have not had sufficient proof on which to found a condemnatory sentence; not a few times have Mexicans been the victims of those crimes, who, however obscure and humble they may be supposed, were men and citizens of the Republic, and it would occur to no one to deduce from this the incapacity of that Government to protect life and enforce the law in its respective frontier. To punish a crime with all the rigor of the law, it is not sufficient to denounce it and indicate the authors of it; it is necessary to convict them with proofs that leave no doubt of their perpetration, it being the part of the judge to estimate the value of these proofs, much stress being due to the circumstances touching the accuser, in order to estimate the degree of veracity of the accusation. As a consequence of the state of advancement to which modern society has arrived, a greater respect for the liberty and life of man has been attained, and the application of the penalties which the law indicates for the repression of crime is not possible without society being convinced that the punishment applied bears the impress and seal of the strictest justice.

"From the evidences found in the legal paper I have the honor to remit, there appeared nothing that can be estimated as a proof of the guilt of the Administrator Morell, or any other employee, in the double crime of speculation and murder which is thrown upon them by the United States Commercial Agent; what does appear is the enmity which the said agent professes towards Morell; it appears, for there are no proofs to the contrary, that the news Mr. Morell had of the passage of the goods, and of the death of Mr. Henry, was given him first by the said Commercial Agent on the afternoon on which the latter presented himself at the custom-house in quest of the data he believed to exist there, on the operation made by Henry; and, as a consequence of this news, Morell acted as he ought, by despatching a section of the revenue guard with orders to apprehend the goods that had been introduced in contraband; and I say, in contraband, because there is not a single proof that Henry paid the duties, as well as there is none that he bore with him the documents, which, as it is said, he tried to possess himself of by committing a murder; quite the contrary, the proofs are, that no such documents existed, for Henry tried to provide himself with them in Zaragoza, without stopping at the price, as is very distinctly stated by the sub-receiver of rents of the State of Chihuahua, resident in Zaragoza, in his communication, I have referred to a statement that is confirmed by the Report rendered by the local Judge of the said village.

"But, it will be said, the death of Mr. Henry is a fact which admits of no doubt. The fact, unfortunately, is true, but to explain it there is no necessity, in my conception, of going in quest of the authors of that crime precisely where they could least be found, and where only the hatred professed by the Commercial Agent towards the Administrator Morell, the causes for which it is not for me to investigate, could have found them. Criminals abound, unfortunately, in this frontier. They pass every day from the State of Texas to the territory of the Republic, individuals who, either fleeing from the American Courts, or with the object of stealing cattle to sell them in Texas, take refuge, or live for a longer or shorter period of time in the Mexican towns near the margin of the river. Henry stopped for three or four days in the streets of one of those towns (Zaragoza); he made no secret that he carried funds with him; he presented himself, offering whatever was asked for the documents he solicited; the cartmen themselves who carried the goods, could not have been ignorant of the circumstance that he carried funds; besides, in the small towns, any unknown person attracts attention, particularly if he is a foreigner, and travels with a team, as Henry did. Would it be venturesome to suppose that the assassins went out from the same town to post themselves in a certain place to rob him? Can the cartmen prove that they did not see or

know any one of the authors of this crime, if perchance it be proved that it was not perpetrated with their connivance, and they had no part in it? I have been informed by D. Vicente Cardenas, that three or four days after the murder of Mr. Henry was known in this village, that is, the 24th or 25th of August, the event was spoken of in a reunion of persons, and that one of them, whom he does not know, said, that on the day before Henry started on his way towards San Juan de Sabinas, two men were seen to leave Zaragoza, one of them mounted on a greyish horse, and the other on a dark one; that some days after one of these same men was seen buying sheep near Zaragoza, the said Cardenas recollecting to have heard one of them calling the other by the name of Mesa. Finally, the civil Judge of this village, in speaking to me a few days ago on the escape of Gibson, he stated to me that he was exceedingly sorry for this event, because he had suspicions of the participation of complicity of the said Henry Gibson, in the murder of Henry, besides the causes for which he had been arrested. All this was tended, and still tends in my humble opinion to strengthen the proofs that the employees of this office are not guilty of the crimes of which they are accused by the United States Commercial Agent, it being equally proved that Mr. Henry introduced his goods in contraband, without any arrangements with the Administrator mediating in such operation, it being due to repute his death as an isolated crime, in which the employees have had no part.

"On the examination of the trunks in which Mr. Henry carried his baggage being made by the civil judge of this village, there were found, among other papers of little importance, some documents which come to throw a great deal of light on this affair. The first of the documents I refer to is a letter from D. Daniel Milmo, a merchant of Monterey Laredo, dated July 22d, 1878, in reply to another which Mr. Henry addressed to him with date of July 5th of the same year; in this Henry asks if he could pass some goods through the Laredo custom-house with discount of duties; the reply being given him that no business of such a nature could be done through that custom-house. The letter from Mr. Milmo manifestly shows that Henry never intended to make his importation legally; quite to the contrary, he always had the design of defrauding the duties, although it were in part. The second of the documents I refer to is the permit, dated August 10th, which was issued by the custom-house of Paso del Aguila to Mr. Henry, for him to make the exportation. Two notable circumstances consist in this document; first, that it was issued for the exportation of fifty packages, and not forty-six, as the Commercial Agent states; second, its having been found among the papers of Mr. Henry. The export permits issued by the custom-house of Paso del Aguila, excepting those for the transit of beasts and carriages, which remain in the possession of the parties interested to be presented on their return, are collected by an employee of that custom-house, on the passage of the goods, by the ford established opposite this village. Well, now, if, as it is said, the goods belonging to Mr. Henry passed in one of the boats doing the river trade, how is it that he kept the permit in his possession, and it was not collected by the employee of that custom-house, as is done in all cases of exportation of goods? The proofs, then, abound, that Mr. Henry introduced the effects he carried, in contraband, and therefore, in my judgment, action should be taken respecting them, according to the provisions of the tariff in force, saving the better opinion of that Department.

"From the evidences bearing in the legal paper, which I have the honor to remit, it appears that the Alcalde of Zaragoza, auctioned a part of Henry's goods and disposed of the proceeds, as he says, to cover the expenses he had to disburse for the burial of the body and in the transportation and custody of the cargo; expenses which that authority pretends to justify by the documents found on leaves 138, 139, 140, 141, 142, 143 and 144. The District Judge to whom the law commends the cognizance of this affair, will estimate the conduct of the Alcalde of Zaragoza as it may esteem in justice, and that Department will dispose what it may judge proper, in view of the documents to which I refer.

"In conclusion, it is necessary for me to further call the attention of that Department to some facts which, as I see them, have the highest significance in treating of the difficult and complicated affairs of this frontier, which, not unfrequently, take upon themselves an international character, embarrassing the relations between one and the other Republic. Public report unanimously accuses the United States Commercial Agent in this village of being the constant promoter of disturbances and complications with the North American authorities on the margin of the Bravo. His passionate reports, his special manner of narrating the events, commenting upon and disfiguring them to suit himself, has already produced most bitter fruits, for nothing is sufficient for him to satisfy the hate he professes towards the Mexicans, and everything related to Mexico. He was the instigator of the invasion of General MacKenzie, in May, 1874; he was equally so of those which, in the beginning of the year last past, the same General and Colonel Shapter, carried into effect, and, in short, he lets no means escape him of making the relations difficult between the two countries. There reports, which were given me by persons of the highest standing in this town, have been confirmed and strengthened by various persons in Paso del Aguila, American citizens, whose statement could not be suspected.

"Such conduct on the part of one who is invested with official functions, is the least calculated to lead to a just estimate of the value of events, which, in any way, are connected with the relations between both coun-

tries. In order to put the right value upon those same facts, to establish them at what they really are, a justice and impartiality are needed, proof against everything, a very upright judgment, and an exquisite criterion to not leave unperceived any circumstance, however insignificant it may appear, and to estimate them at their real value, for only thus can he be satisfied, of having fulfilled his mission in truth and in conscience. Hate is a bad adviser, and the Commercial Agent listens only to the voice of hate in treating of question having any relation with Mexico.

"In effecting the investigation which that department was pleased to order me to make, I have subjected myself exactly to the instructions that were communicated to me; I have proceeded with loyalty and good faith, omitting no means whatever that could lead me to the discovery of the truth, endeavoring to deduce and to bring it out from the proofs and evidences that appear in the legal paper; it concerns that department to rectify wherein I may have been mistaken, and to decide as it may esteem in justice, in presence of the said proofs, correcting what, in a rough style, I have had the honor to set forth in this report.

"Liberty and the Constitution. PIEDRAS NEGRAS, Jan. 15th, 1879.

"M. SEVILLA."

"To the Secretary of the Finances and Public Credit, Mexico.

d. Considerations Resulting from the Preceding Facts and Documents.

1457. The preceding report demonstrates, with all clearness, the complete inaccuracy of the accusations made by the United States Consular Agent at Piedras Negras, against the employees of that custom-house, for the crimes of peculation and complicity in the murder of Walter Henry, inasmuch as no evidence whatever appears that the goods were imported through it, not having passed either through the custom-house or even the town of Piedra Negras, neither on August 10th (the date on which the United States Consular Agent in that town stated they had been dispatched,) nor on the days immediately before or after that date. It appears, also, that the persons on whose testimony the United States Consular Agent relies, to formulate the charges against the employees of that custom-house, have either completely denied having ever made any accusations against said employees, or have stated that they have no proof or suspicion against them, or have limited themselves to saying that they have vague suspicions of the complicity of some of the employees, without founding them upon any fact or proof whatever.

1458. It is to be noted that the United States Consular Agent in Piedras Negras, author of the accusations against the employees of that custom-house, did not make any move to furnish the Inspector, Sevilla, with the proofs he might have on which to formulate those accusations, when the latter asked him for them, for the purpose of clearing up the facts.

1459. It would be necessary to repeat here all the preceding report, in itself sufficiently extensive, to set forth all the proofs and all the incidents which convince, in the most absolute manner, that the employees of the custom-house of Piedras Negras are innocent of the crimes that have been attributed to them by the United States Consular Agent in that place. It is sufficient only to say, in concluding this subject, that those accusations have proved to be totally unfounded, calumnious, and even unlikely, in view of the circumstances of the case, as stated in detail in the preinserted report of the Inspector, Sevilla.

1460. It appears from that document, that there is foundation for believing that the murder of Walter Henry has been perpetrated by citizens of the United States on Mexican territory, to possess themselves of the money that Henry had taken out of Piedras Negras, and which, it was generally known, he carried with him. It is seen, then, to what the charge is reduced, which was formulated against the employees of Piedras Negras, and against security in Mexico, on account of the murder of the United States citizen, Walter Henry.

1461. The five special cases which the Report thought proper to insert, in proof of its assertions respecting the lack of security in Mexico, and the dangers persons are exposed to who come to trade with this country—and which, it is supposed, are the most notable of later years, to produce the effect indicated—once analyzed, and, the inaccurate reports furnished respecting them, rectified, they lose completely the character in which they are presented, for they remain reduced to the category of common facts, frequent in other countries, and in which no irreparable damage has followed to the persons presented as victims, with the exception of Sr. Walter Henry,

1457. Information demonstrating the inexactitude of the accusations against the Consular Agent at Piedras Negras.

1458. The United States Consular Agent did not furnish the proofs asked for by the Inspector Sevilla.

1459. The accusations made by the United States Consular Agent proved to be totally unfounded.

1460. There is ground for believing that the murder of Mr. Henry was perpetrated by United States citizens.

1461. The cases stated by the Report do not prove that there is any greater insecurity in Mexico than in other countries.

respecting whom there is reason to believe, he was assassinated by United States citizens. If this results from the analysis of those cases, it will be easy to comprehend the force which ought to be given to the general assertions of the Report, respecting the insecurity and the dangers to which persons living in Mexico are exposed.

8. SUMMARY OF THE FACTS IN RELATION TO SECURITY, FULFILLMENT OF LAW AND PRESERVATION OF ORDER IN MEXICO.

1462. From what has been stated up to this point respecting public security, fulfillment of law and preservation of order in Mexico, the following facts appear to be demonstrated :

1st. That, although the Report presents Mexico as a country in which there is no security for life or property, an impartial observer can find, in the very facts mentioned in the Report, evidences that security is enjoyed.

2d. That the Report begins by acknowledging that there is security in this city, it gives to understand that there is also, in the other principal towns of the country, and considers that the insecurity exists in the roads.

3d. That the facts the Report mentions, to demonstrate the insecurity on the roads, do not sufficiently justify his assertion, inasmuch as they are isolated events, from which a general consequence cannot be deduced, for from the fact that some crimes have been committed, it is not inferred that they are always committed, and still less, that every one that travels the roads cannot be free from them.

4th. That the same example of assault, suffered by the Consul-General of Belgium to the United States, in his recent journey to Mexico which the Report presents, as a proof of the insecurity on the roads, demonstrates the little importance given to that fact by the victim of the assault and his Government, inasmuch, as after it had occurred, the Belgian Government has taken the necessary steps to re-establish its official relations with Mexico.

5th. That if there were in Mexico the insecurity the Report supposes, the persons most exposed to its consequences would be the subjects of nations that have made war upon it at various periods during those wars, and immediately after them, and that, far from those subjects having suffered special injuries, to persons or property, Mexico presents, in this respect, a notable example of magnanimity and moderation.

6th. That, notwithstanding the prolonged and bloody wars Mexico has sustained with Spain and with France, neither the Spanish nor the French subjects have suffered especially during them, but, on the contrary, they have been able to remain in the country without having diplomatic representatives, for long periods of time, and have proceeded occupying themselves in their business, increasing considerably their commerce, notwithstanding those circumstances, and, in some cases, in a greater proportion than commerce has increased with the United States.

7th. That if there were in Mexico the insecurity the Report supposes, the first victims of it would be the foreigners who have come to propagate the Protestant religion, for they have touched upon the most delicate fibre in a people dominated, during various centuries, by religious fanaticism, and that, in spite of this, the Protestant missionaries that have come to Mexico, live securely in the cities, villages, and country, and travel over the roads, preaching their doctrines, and make truly notable progress in their religious propaganda.

8th. That the high rate of mercantile exchange between this capital and the other towns of the country, which the Report attributes to the insecurity of the roads, is due to the great distances and difficulty of communication on the one hand and on the other, and principally to the necessities of commerce, which here, as in other nations, always rule the operations of commerce.

9th. That what necessity there may be in Mexico is not, nor has been, an inseparable obstacle to its material progress, inasmuch as the country has progressed, though not as rapidly as is to be desired, during the periods of greatest war and revolution, and which might be considered as periods of the greatest insecurity.

10th. That the Report itself recognizes this fact upon assuring that the Spaniards and Germans progress in the country ; that if there are some foreigners engaged in mercantile pursuits who progress, it cannot be com-

prehended why the citizens of the United States would not progress equally as well, except in the case of considering them inferior, mercantilely speaking, to foreigners of other nationalities, which is untenable.

11th. That respecting the Germans established in Mexico, there is the special circumstance that their government has never presented diplomatic claims in favor of them, contrary to which some other governments have done, and that probably to that circumstance is owing, in a large measure, the increase that has attended German trade in Mexico.

12th. That there are examples of various foreign enterprises, of the principal ones of the country, which have been established and have prospered in spite of the revolutions, some of which, in certain cases, have been favored by those revolutions, mention being made principally of the Mexico and Vera Cruz railway, the general stage line and the Mining Company of Real del Monte, which practically demonstrates that the wars and revolutions suffered in Mexico are not of such a nature that they destroy or make impossible every foreign enterprise in the country.

13th. That other nations, and among them the United States, have had to sustain wars and revolutions as well as Mexico, and that in spite of them they have been able to progress in an astonishing manner, for those wars are many times indispensable to remove obstacles opposed to the material progress of a nation, which otherwise cannot be overcome.

14. That one of the most efficacious means of establishing the most complete security in Mexico, would be the immigration of foreign capital to this country, for it would give honest and lucrative occupation to many of its inhabitants, who, for reasons expressed elsewhere in detail, do not now find it, and because every one being busy in useful and lucrative enterprises, every motive and pretext for insecurity would cease.

15th. That in other parts, and even in nations that figure in the vanguard of civilization, among which are comprised the United States, crimes are committed still more horrible than the worst committed in Mexico, and from the fact that horrible or frequent crimes are committed in a country, it is deduced that there is no security in it, it must be agreed that if there is no security in Mexico there is neither any in the United States, in France, or in England, or in any other civilized nation.

16th. That the complaint of the Report against Mexico because it has not agreed by treaty with the United States, to exempt United States citizens resident in the country from forced loans and extraordinary taxes, lacks foundation from the inaccuracy of its basis, which consists in considering said loans and taxes unconstitutional.

17th. That Article 29, of the Constitution, expressly authorizes the delegation of legislative powers to the Executive, in abnormal circumstances, and that the exercise by the Executive of legislative powers has been had recourse to in fact in other countries, as in the United States, in critical circumstances, and without constitutional authorization for it, for above all, stands the necessity for self-preservation.

18th. That although in some cases the Supreme Court of Justice has granted relief against an extraordinary tax decreed by the Executive in exercise of legislative powers, as the Report says, in others it has denied the relief, founding itself on the provision of Article 29, of the Constitution ; that even though it should have granted it in all cases, this could not derogate the laws in force, inasmuch as according to Article 102 of the Constitution, the sentences of the Court in suits of relief, must be reduced to granting or denying the relief in the special cases that are submitted to it, without making any general declaration respecting the law or act giving rise to it, still less derogating any law.

19th. That if Mexico should agree with the United States to exempt its citizens from forced loans, it would be placing them, and all foreigners in general, resident in its territory, in a better condition than the Mexicans, which is indefensible in any civilized nation.

20th. That the United States Government sanctioned, during their last war with the Southern States, some "*Instructions for the Regulation of the United States Armies in Campaigns*," which authorizes the imposition of the requisitions necessary for the support of the forces, and that the forced loans and extraordinary taxes decreed in Mexico in time of war have no other origin or object.

21st. That the fourteen cases of attempts against the lives of United States citizens, which the Report con

siders to have occurred in Mexico in the space of three months, from June, 1873, to August, 1874; besides that, they would not be sufficient to demonstrate that insecurity was the normal state of Mexico, never were specified by the United States Representative, in spite of his having been urged to it by the Mexican Government.

22d. That, if in Mexico there have occurred fourteen attempts against the lives of United States citizens, and whose authors were not punished immediately, a greater number of attempts against the lives of Mexican citizens have occurred in the United States, without their authors having been punished either, not only in the period of the thirteen months referred to, but also in the eight years, from 1871 to 1878.

23d. That, therefore, if by the number of attempts committed in a country against foreigners, without taking into the circumstances of each case, the security prevailing in it were to be judged, there would be larger foundation to sustain that insecurity was greater in the United States than in Mexico.

24th. That the special cases the Report cites to justify its assertion that there is no security in Mexico, and which it is to be supposed are the most notable and conclusive that could be found, come to demonstrate that the persons supposed to be victims of some of these attempts have made a profit out of the political situation of Mexico, and that the Government of the Republic has tried by everything on its part to do justice to the United States citizens, and to repress the attempts committed against them, and to indemnify them for the injuries suffered by the same.

25th. That in the case of Mr. Henry Muller, which is the first cited in the Report, it appears that Mr. Muller came to Mexico twenty-five years ago, without capital; that he has succeeded in making a fortune, which is estimated for the payment of taxes at \$350,000, and that he occupies an important position in Chihuahua, owing a part of his capital to business done with the Government.

26th. That the motive of the complaint which the Report presents respecting Mr. Muller is, that the latter refused to pay a tax decreed by the military chief of the State of Chihuahua, and fled from his house to avoid paying it, and from the fear of suffering some evil by being considered affiliated with the conquered party; that he was captured by a subaltern of said chief, who only exacted from him the payment of the tax pending, which does not appear to constitute a scandalous act that can be presented as an example of the insecurity that prevails in Mexico.

27th. That the sum which Mr. Muller came to this city to claim, for forced loans imposed on him in Chihuahua, which the Report calculates at \$50,000, approximately, was, according to the testimony of the interested party himself, only \$41,437 31, of which \$555 06 were already paid; that \$15,494 32 proceed from supplies made to the revolutions of La Noria and Tuxtepec, the payment of which is not yet authorized by Congress; that \$19,136 29 consist of credits against the State of Chihuahua, acknowledged and accepted by that State, for which the Federal Government is not responsible, and \$10,500 in a loan made voluntarily by Mr. Muller, together with five Mexican citizens, to General Naranjo, in Chihuahua, in April, 1877, of which sum \$4,503 06 had been paid up to June 30th, 1877, and for the rest, general orders for payment had been given.

28th. That if the arrangement of the claims presented by Mr. Muller has not been concluded, it has been because he withdrew the vouchers of the same, and for the lack of legislative authorization to make the payment of some of them.

29th. That the second case cited in the Report, that of the vessels "Dreadnaught" and "Montana," arrived at Mazatlan in January and February, 1877, has not the character, either, which is given it, for the first consists in that the vessel that was in view of Mazatlan, was put into that port by the Mexican gunboat "Democrata," without its being known to a certainty whether it was at the petition of the captain or for fear that, being within the territorial waters of Mexico, an attempt was being made to smuggle, for the investigation that was being made on this point could not be concluded, because of the death of the Commander of the "Democrata," and although the custom-house condemned thirty chests of tea and four of cinnamon to pay triple duties, this sentence was revoked by the Federal Courts, which absolved the Captain from responsibility, and ordered his effects to be returned to him.

30th. That respecting the "Montana," she brought to Mazatlan 349 packages outside of her manifest, and without any consular document, which its Captain said were destined for Champerico and San Jose de Guatemala, and the coasting or transit trade in Mexican ports not being authorized by Mexican laws, and the Captain

of the vessel not being able to give security that the goods would not be disembarked, the Administrator determined to store them in the custom-house until the vessel set sail, but the Captain of the "Montana" having resisted this, the Administrator consigned the affair to the cognizance of the District Judge, who decided at last, that the "Montana" had not incurred any responsibility by having brought said effects without being covered by any document.

31st. That as soon as notice was had in this Department of what had occurred in Mazatlan with the pailebot "Montana," the return of the effects was ordered on February 8th, 1877, which could not take place immediately on account of the interruption of the telegraphic line, and by the first telegram from this Department on this subject having arrived erroneous.

32d. That with the object of preventing the repetition of similar acts, the Mexican Government modified the fiscal laws of the country by the provisions of September 8th and December 11th, 1877, and April 11th, 1878, permitting in the most ample and liberal manner, that not only steamers but also sailing vessels could carry on coasting and transit trade in Mexican ports without any requisite for this being required of them, which demonstrates that the Mexican Government, far from placing obstacles in the way of foreign commerce, does all it can to grant it all the privileges compatible with its interests.

33d. That neither does the third case cited in the Report, that of the events occurred in Acapulco in February, 1877, which comprises the damages claimed by Mr. Kastan and the imprisonment of Consul Sutter, appear enough to demonstrate the insecurity in Mexico, inasmuch as the property which Mr. Kastan, considered to be an active member of the party of General Diego Alvarez, in the State of Guerrero, and an associate of his, alleges to have suffered damage, belonged, a short time before, to General Alvarez, who it was believed had alienated them in semblance to Mr. Kastan in order to put it out of the way of the dangers he feared from the political excitement of the moment, and that in spite of this the Mexican Government compromised itself to pay \$82,500, as indemnity for the injuries and damages claimed, and for the purchase of an estate that Mr. Kastan could not easily enter into possession of.

34th. That the imprisonment of Consul Sutter was owing, according to his own declaration, to the fact of his having inflicted wounds on the head of a person in Acapulco, and notwithstanding this he was soon put at liberty, and the case was suspended.

35th. That the United States Consuls having no diplomatic immunity, according to the treaties which bind the two nations, having put Consul Sutter in prison for a few days, in consequence of the wounds which he himself confesses to have inflicted on an individual in Acapulco, cannot be considered as an attempt nor as an offense against the United States.

36th. That according to the principles of the law of nations, diplomatic claims ought not to be interposed, except in extraordinary and truly grave cases, after having exhausted the resources which the laws of the country, grant to foreigners and natives to sustain and defend their rights, or in case of denial of justice.

37th. That notwithstanding the liberal character of the Mexican laws, issued since the independence, which authorize foreigners to acquire real estate in the country, they have prohibited the acquisition of such estate in a zone of 20 leagues on the frontiers, and five on the shores, and that according to these provisions the acquisition made by Mr. Kastan of the "hacienda" of San Marcos, was not legitimate.

38th. That respecting the "hacienda" of San Marcos, it must be borne in mind that Mr. Kastan never arrived at any quiet and pacific possession of it, for some of the inhabitants established on its territory, considering the lands they have been occupying as their own.

39th. That in spite of all the irregularities of the claims presented by Mr. Kastan, the Mexican Government with the object of terminating them in a manner friendly towards the United States Government, celebrated a contract with Mr. Kastan on September 4th, 1878, by virtue of which it bought of him the "hacienda" of San Marcos, to divide it among those now populating it, and Mr. Kastan declared himself satisfied for all his claims against Mexico by the sum of \$82,500, the greater part of which has already been paid.

40th. That, therefore, no motive for censure appears against the Mexican Government for the events of Acapulco, inasmuch as Mr. Kastan was indemnified in a manner satisfactory to him for the injuries of which he

complained, and that the process instituted against Consul Sutter, for the wounds he inflicted on an individual in Acapulco, was not carried to its termination, nor applied to him, therefore, the penalty to which he had made himself liable.

41st. That neither do the events which occurred in Matamoros in the latter part of 1876, which the Report presents as the fourth case of insecurity in Mexico, constitute a reasonable foundation for accusation against this country, in neither of the two incidents which the said events comprise, for, respecting the first of them, which appears to be that of Mr. Sustendhal, it results that the latter is not an aged man, but a man in his prime; that, for not having paid the tax imposed on him, he was apprehended and taken to the trenches, for there was the armed force; that there was then no firing going on, and that, therefore, he was exposed to no danger, and that he was set at liberty as soon as the United States Consul intervened in his favor.

42d. That, respecting the claims of Messrs. Francisco Iturria Brothers and Frederick O'Boyle, it appears, also, that they resisted paying a tax of a general character decreed by the Military Chief of the town of Matamoros, and that to compel the payment, they were dealt with according to the provisions established on imposing the tax.

43d. That Messrs. Francisco Iturria Brothers and Frederick O'Boyle, presented their corresponding claims before the Treasury Department, and did not furnish the necessary vouchers to enable a decision to be made respecting them.

44th. That the imposts decreed in Matamoros by the Military Chief of the place, which the Report presents as an onerous exaction on the commerce of that port, came to be in reality lucrative operations for the merchants, for they got a profit out of them of from 30 to 100 per cent.

45th. That notwithstanding that the loans imposed in Matamoros by the military authorities of that place, served to oppose the revolution of Tuxtepec, on the triumph of the latter, the present government of the Republic has acknowledged all the amounts supplied in that city to the agents of the late government, and has already paid considerable sums on account of said supplies, principally to United States citizens.

46th. That the fifth and last case presented by the Report, to demonstrate the insecurity which prevails in Mexico, in reference to the murder of the United States citizen, Walter Henry, near Zaragoza, in the State of Chihuahua, is unfortunately true, in that Walter Henry was assassinated, but it is altogether inaccurate as regards the charges of peculation and complicity in the murder formulated by the United States Consular Agent in Piedras Negras, against the employees of that frontier custom-house.

47th. That from the most scrupulous investigations carried out respecting this incident by the Inspector, Manuel Sevilla, by special commission of the Treasury Department, it appears that the foreign goods that Mr. Henry carried with him, did not pass through the custom-house, nor through the city of Piedras Negras, it remaining, therefore, to be inferred that they were introduced clandestinely, and without the intervention or connivance of the employees of that custom-house.

48th. That the same persons on whose testimony the United States Consular Agent in Piedras Negras relied, to formulate his charges against the employees of the custom-house, stated either that they had made those charges, or that they did not believe them; and the only one who manifested to entertain any suspicions against the employees, stated that he had no proof at all on which to found them.

49th. That there is a reasonable ground for suspicion that Mr. Walter Henry was assassinated, not by Mexicans, but by United States citizens on Mexican territory, to avail themselves of the money he carried with him, and which he took out of Piedras Negras.

50th. That, therefore, neither in the asseverations of a general character contained in the Report, respecting insecurity in Mexico, nor in the five special cases presented by the latter to found the former, does there appear any sufficient evidence to sustain them, and that, therefore, it is to be lamented that the United States Representative should have given assent to the reports on which he based his conceptions, and, still more, that he should have presented them in a form that must find a great echo in the public opinion of the civilized world, and which cannot but contribute to strengthen and root the exaggerated ideas that are held abroad on the insecurity in Mexico, making difficult, consequently, the progress of the country, to the detriment of the United States themselves.

IV. TORPIDITY OF BUSINESS AND INCENTIVE TO CARRY ON CONTRABAND, BY REASON OF THE REVOLUTIONS.

1463. The Report states, in reference to this subject, what the consequences are of the revolutions that have occurred in Mexico, enumerating among them the necessity the revolutionary chiefs are under to provide themselves with resources, and the exchange business which the latter enter into with the merchants of the ports and frontier towns they occupy; the increase that contraband takes by reason of this, the prejudicial consequences to the revenue, and legitimate trade which result from this traffic, and the incentive which the high rates of the port duty give to contraband, so that this part of the Report comes to be almost exclusively devoted to smuggling.

1464. To speak with order on this important subject, the following points will be here considered with due separation:

- 1st. The contraband question in Mexico.
- 2d. Manner in which contraband affects commerce between Mexico and the United States.
- 3d. Summary of facts in reference to the contraband question in Mexico.

I. THE CONTRABAND QUESTION IN MEXICO.

1465. The grave and important question of contraband in Mexico, to which some references have already been made in another part of this exposition (paragraphs 888, 889 and 890), is very complex. The Report says, in reference to it, as follows:

"In order to give a still more exact idea of the evil commercial results which Mexico is suffering in consequence of its revolutions, it becomes necessary to refer briefly to the last point mentioned, to wit: 3d, the incentive and the facilities which revolution and disorder in business, give for carrying on contraband trade.

"One of the greatest necessities of a revolutionary chief is money, and one of the ways of providing himself with it, besides that of forced loans, is to gain possession of a port or a frontier town and negotiate with the merchants for funds, by means of the introduction of effects with a heavy discount of duty. It happens, also, that in time of revolution, there supervenes a great interruption in the authority and vigilance of the Federal Government over the custom-houses, and the employees in charge of them count upon better opportunities to carry out contraband business with those merchants who are accustomed to practice it. The frequent occurrence of civil disturbances in the country, disarranges in such a manner, the good administration of the custom-houses, that the fulfillment of strict rules and the whole system of custom-house imposts is different, even in the intervals in which peace reigns. The high rates of the tariff, occasioned partly by the bad state of the Treasury, is also an incentive to smuggling. Probably no government in the world, in spite of the strictest vigilance, could avoid this class of trade with a tariff containing the high imposts that are quoted in the preceding list. The result of this is no other than what is natural to expect, contraband is carried to such an extreme on the frontier, and all along the coast, that it almost makes the national Treasury bankrupt, and entirely unbalances commercial prices, which are, on many articles, less than they are worth without paying duty, and even without estimating their first cost. This fact has come to be so public and notorious, that the Government has acknowledged it publicly, and the merchants of legitimate trade have been forced to protest against it, asking the adoption of vigorous measures to repress it, in such terms that they have come to threaten the Government to suspend their orders for importations unless that illegal traffic is put an end to.

"The Minister of Finance, in an interview he had on the 3d ultimo, with a commission of the Supreme Court, which had applied to him for the payment of their salaries, made allusion 'to the scandalous contraband which, besides ruining legitimate commerce, depressed the Treasury of its most important resources, saying that this trade was carried on not only on the northern frontier, but also in some other points of the country.'"

1466. In order duly to examine this important subject, it becomes necessary to speak of the various aspects the contraband question presents, the principal being the following:

- A. Proportions contraband has assumed in Mexico.
- B. Facilities Mexico affords for contraband.
- C. Manner of carrying on contraband in Mexico.
- D. Manner of remedying smuggling.
- E. Difficulties which the reduction of import duties present.

1463. The Report considers the revolutions in Mexico as a cause of smuggling, and torpidity of business

1464. Points to be considered in relation to the contraband that is carried on in Mexico.

1465. Text of the observations of the Report on the contraband question in Mexico.

1466. The smuggling question considered under its various aspects.

A. Proportions Contraband has Assumed in Mexico.

1467. The probable amount of smuggling in Mexico, and the statements respecting its existence and extent, that have been made by the Government of the Republic, will here be spoken of.

a. Probable Amount of Smuggling in Mexico.

1468. The clandestine introduction of dutiable merchandise is effected in every country in the world, and its greater or less amount depends upon the peculiar circumstances of each one. In Mexico this illegal trade has assumed, in some periods and in some particular places, proportions that have placed the interest of legitimate commerce and of the national funds in grave danger. Nevertheless its importance in time of peace has been much exaggerated by the very merchants who have been injured by that fraudulent traffic; for although it always has existed, its effects have been noted in a serious manner, only when the country has been, by reason of its political disturbances, unable to repress it, and it never has come to be a constant impediment to the development of legal commerce.

1469. If smuggling really had in Mexico the proportions which the Report supposes, undoubtedly from having given ear to the exaggerated ideas expressed on this point by some importer, it would not be possible for legitimate commerce to have continued for a long time, and up to the present, to pursue its operations. Failures would have been very frequent, and it would have been very difficult, if not impossible, to obtain credit in Europe for Mexican mercantile enterprises; whereas, on the contrary, the necessary capital has never failed for importing the goods that can be consumed, precisely because European capitalists have, up to this time lost insignificant sums of the credits opened for commercial enterprises.

1470. Our annual exportation amounts, on the average, to \$28,000,000, the values being calculated according to the prices in Mexican money that obtain in the country. In order to form as accurate an idea as possible of the relation that exists between the importation of foreign goods and the extraction of national products which serve to cover their amount, it is proper to take as a basis the detailed notice formed by the Bureau of Adjustments of this Department of the exportation taken place during the fiscal year of 1877-8. According to said notice the sum of the values of the articles exported was \$28,757,474 22.

1471. In the remission of our goods abroad a considerable sum is lost, principally from heavy depreciation which silver has suffered, which in \$28,757,474 22, to which the exportation of the last fiscal year amounted to, it represents \$20,487,705 29. On some other goods, such as dye-woods, some loss is also suffered. By this it may be considered that the \$28,757,474 22, the amount of the exportation, covers only \$25,000,000 of the invoice value of foreign goods imported to Mexico.

1472. The import duties produced in the same year a little more than \$12,000,000. By studying the picture formed by the second official of the Bureau of Adjustment, of the proportion between the value of goods and the duties on them, which important work was published in the Records of the Treasury, of September 16th, 1878, it appears that on an average those duties amount to 65 per cent., rather more than less, on the invoice value; these, consequently, amount to a matter of.....\$18,500,000 00

If to this sum is added the sum of the invoice value of effects exempt from duty,
which, according to the notice lately formed by the same Bureau of Adjustments,
was 2,962,621 00

It results that the effects introduced legally amount to.....\$21,462,621 00

1473. It is to be noticed, that the increase taken place in importation in the fiscal year last past, is certainly due principally to the greater mercantile movement there generally is after the triumph of a revolution, and that from this circumstance, probably, the notable difference arises between the results of importation during the last year and those of the years preceding, which were only \$8,549,824 on the average in each one of the years elapsed from 1867 to 1877, and that consequently the importation of foreign goods falling in the present year

1467. The amount of contraband in Mexico will be spoken of and the statement made by the government respecting it.

1468. Smuggling is carried on everywhere, and it is not as extensive in Mexico as the Report supposes.

1469. If contraband were done on so large a scale legitimate commerce would not have been able to subsist

1470. Relation between the amount of export and import of foreign goods.

1471. Exportation was \$28,757,474 22 in the year of 1877-8, which was able to pay for an importation of \$25,000,000.

1472. The legal importation of goods in the year of 1877-8 can be estimated at \$21,462,621.

1473. Possibility that in the present year the importation of foreign goods will decrease.

to its normal amount, the value abroad of goods imported to Mexico should be much less even than the sum of \$21,462,621.

1474. It results, then, that there is remitted abroad at least a matter of \$4,000,000 more than the amount of foreign merchandise imported. This gave rise to very serious reflections. With very few exceptions, which only comprise those countries whose production has increased by extraordinary causes with greater rapidity than the importation of foreign goods, all nations import about the amount they export, Mexico is very far yet from being able to be considered as one of those countries that obtain great advantages by reason of their greater exportation compared with the importation; and the causes of the great difference noted ought consequently to be diverse.

1475. It is known, that notwithstanding the heavy losses which some enterprises established in Mexico by foreign capital have suffered, the amount of the fortunes that have been acquired here in a relatively short period of time is much greater, and that of these a part have emigrated from the country. This has happened at all times, and principally with mercantile enterprises, for numerous are the cases in which the founders of commercial houses, and their successors, have retired in a few years to their respective countries with capital gained in Mexico, transferring all their business and old dependents, never to return, and it can be said, that until by means of "laws which make it possible the working of our natural wealth on a great scale is facilitated, that overplus of capital which might be invested in lucrative enterprises in Mexico, will continue to be taken out without any direct benefit to the nation. Nevertheless, during the last years it has been observed (and this is an indication which causes the hope to be entertained that our sources of wealth may soon take their natural development), that the emigration of capital has gradually diminished, until it has come to be insignificant compared with that of preceding periods, and it can be assured that it represents the least part of the difference between exportation and importation.

1476. It results from this, that the greater part of that difference, which, according to the data of the last years, amounted at least to four millions, proceeds from the contraband carried on in Mexico, as in all countries, even in those that have the greatest facility for the regular realization of their fiscal dues. On the other hand, according to the reports which are as accurate as can be acquired on operations which, in many cases, remain hidden, the total value of goods introduced clandestinely does not come to 15 per cent. on the total importation of dutiable articles. This calculation has been made by respectable merchants, who can have no interest in underrating the injuries caused by contraband. The sum of the invoice value of goods imported, either paying duties or frustrating fiscal vigilance, is estimated at \$22,000,000. Fifteen per cent. on this sum would amount to \$3,300,000, and the duties due and unreceived can be estimated a little more or less at the same sum, for smuggling is done principally in those articles which bear the highest rates.

b. Statement made by the Mexican Government Respecting the Existence and Extent of Smuggling.

1477. In reference to the extent to which contraband has obtained in Mexico, the Report refers to a conversation had by the Secretary of the Treasury September 3d, 1878, with a commission of the Supreme Court of Justice, respecting the payment of the salaries of the same. This point having been touched upon in the Report, it is thought proper to make an explication of what passed at that interview.

1478. The payment of the salaries of the magistrates of the Supreme Court of Justice, having been delayed for some days, that tribunal determined to send a commission of two of its members, that they might be informed by the Secretary of the Treasury respecting the cause of that delay. The two magistrates commissioned by the Supreme Court, had a conference with the Secretary of the Treasury September 3d, 1878, in which they stated the object of their commission. The Secretary of the Treasury stated the causes which had occasioned the delay in the payment of the salaries of the Supreme Court of Justice, and the interview being terminated with this statement, the commissioners gave account to the Supreme Court of the result of their commission, by means of a report dated September 4th, 1878, which was published in "*La Libertad*" of this capital, of the 5th of the same month. That part of the statement of the magistrates, to which the Report addressed to Mr. Carlile Mason, October 9th, 1878 refers to, is as follows:

1474. The difference between the importation and exportation of Mexico cannot be the rapid increase of its production.

1475. Emigration of capital gained in Mexico and gradual diminution of that emigration.

1476. The greater part of the difference between importation and exportation, must proceed from smuggling.

1477. Incident of the delay in the payment of the salaries of the Magistrates of the Supreme Court, to which the Report refers.

1478. Report of the Magistrates respecting their interview with the Secretary of the Treasury.

"In discharge of the commission which the Supreme Court of Justice was pleased to entrust to us, we yesterday afternoon approached the Minister of Finance, and stated to him, that whereas Art. 120 of the General Constitution of the Republic says: 'The President of the Republic, the individuals of the Supreme Court of Justice, the Deputies and other functionaries of the Federation, of popular nomination, shall receive a compensation for their services, which shall be decided by law, and paid by the Federal Treasury. This compensation is not renunciable, and the law which increases or diminishes it cannot go into effect during the period in which a functionary exercises his charge;' and in consideration that the month of August has passed, and the individuals of the Supreme Court have not received the compensation which is accorded them by law, this respectable body desired that the Minister of Finance would be pleased to tell them the reasons he had for not complying with the provisions of the Constitution.

"The Minister replied that the Supreme Court ought to do him the justice to suppose that the failure of payment was not occasioned by anything except a scarcity of funds in the National Treasury, which had not permitted the payment of more than the first two weeks of August to the members of the Legislative body, and something to the army, and, therefore, all the amount due the Executive had not been covered, and nothing of that due judicial power.

"The Minister said that he would lay before the President all that the Commission had just communicated to him, and that he was going to make an effort to cover the salaries of the first two weeks of August; but he could not but manifest that the extraordinary scarcity the treasury was suffering was from the following causes, which it was not easy to destroy at once: First, that, as in the last months of the Administration of Sr. Lerdo, the commerce of the Republic had refrained from sending orders to Europe, from the insecurity of the situation. On the triumph of the Revolution of Tuxtepec, the past year, and peace being re-established, it had made truly enormous orders, which had brought as a result a diminution in the demands the present year, for this reason the fiscal receipts being less now than in the past year. The second cause was the season of the year, generally bad for the public finances; and the third and principal cause was the scandalous contraband that was carried on at the northern frontier, which, besides ruining legitimate commerce, deprived the Treasury of most important resources. That this was a grave evil, and that the efforts of one man could not remedy it, if they were not seconded by the efforts of all the functionaries of the Federation and of the States. That while it endured it was impossible to promptly meet the payments, dues, or to normalize the operations pertaining to his ministry. That we should so state to the Supreme Court, in order to disabuse its mind of any unfavorable impression it may have had against him, by reason of this delay, which he felt for his own credit as in charge of the Treasurer's office, and for the Administration in general.

"Such is substantially the result of the commission that we have discharged by enjoinder of this Supreme Court, for whose confidence we are grateful.

"MEXICO, Sept. 4th, 1878.

"IGNACIO ALTAMIRANO.

"JOSE MARIA BAUTISTA."

"It is copy to which I certify.—MEXICO, Sept. 4th, 1878.

"ENRIQUE LANDA, Secretary."

1479. Some inaccuracies having been found in the preceding report, this was rectified in the *Diario Oficial* for September 5th, 1878, in the following terms:

"In the conference between the Secretary of the Treasury, and the Commissioners of the Court, he presented three reasons, to explain the reduction in the income of the Treasury, which has caused the delay in the payments, and which reasons are well known. The fact is, that being as we are, in the bad season for the ports, in which period importations always have diminished considerably, it is natural that the income should have diminished in corresponding proportion. In the second place, he stated that in the last months of the administration of Sr. Lerdo, the commerce of the Republic had refrained from sending orders to Europe, on account of the insecurity of the situation; that the same commerce made large orders, on the triumph of the Plan of Tuxtepec, and peace being assured, and that, therefore, the goods now on hand in the warehouses of the merchants, have occasioned a considerable reduction in orders, until the goods on hand are realized upon. In the third and last place, he made allusion to the contraband, that has been introducing itself, not only along the northern frontier but in other regions of the Republic. Respecting this last point, the Secretary of the Treasury was far from giving the idea that he was the only person disposed to take measures against the development of smuggling, and though neither do Messrs. Altamirano and Bautista say this, in their report. The Secretary of the Treasury desires to state, for greater perspicuity, that his thought, in that particular, is: that, whereas it is known that the

great majority of society is injured by contraband, and is disposed to procure its extinction, the Executive hopes that Congress, the Governors of the States, the Judicial Power, &c., each one in its sphere, will help energetically in so laudable a purpose, for the isolated efforts of that Department, nor those of the Governors, &c., would be sufficiently efficacious for the object, for it is necessary, on this point, that every functionary and every good citizen should join their efforts and direct them to the success of the said object."

1480. The Mexican Government has never denied that smuggling was carried on in the Republic, but, on the contrary, has recognized this fact in its official documents. In fact, in the speech delivered by the President of the United States of Mexico, September 16th, 1878, on opening the first period of sessions of the General Congress, he made direct allusion to the spread of smuggling in Mexico, in the following terms:

"The beginning of the present fiscal year, by reason of the bad season in the ports, the large amount of importations on hand from the previous year, and with some increase in contraband, which always had been done in Mexico, and which no Government can entirely repress, has brought a decrease in the income of the Federal Revenue, which has been the cause of some delay in the payments of the schedule pertaining to the months transpired of the present year."

B. Facilities that Mexico Presents for Smuggling.

1481. Everywhere, and even in nations best organized and governed, and where the import duties are low, smuggling is carried on. Mexico offers, unfortunately, special facilities for that traffic. The Report having occupied itself, in a special manner, with the influence which the high rates of import duty and political disturbances have on contraband carried on in Mexico, these two causes will be considered in a special manner, speaking of the following points:

- a. General facilities Mexico presents for contraband.
- b. The high rates of duty as an incentive to contraband.
- c. Influence of revolutions on contraband.

a. General Facilities Mexico presents for Contraband.

1482. The fact cannot be ignored that the situation of the Mexican Republic offers great facilities for contraband. Its extensive and unpopulated coasts, in which it is not easy to establish an effective vigilance; its frontiers also extensive and equally unpopulated, where the vigilance of the few fiscal employees disseminated in them can be easily frustrated; the immediate advantage which results to the towns where contraband is carried on of being able to buy foreign goods at very low prices, when they have not the burden of import duties; the incentive of the great profits which the high rates of import duty collected in Mexico on some goods offer to smugglers; and the very revolutions and tumults which offer great opportunities, and frequently demoralize the employees, and many other difficulties in the way of preventing it, are sufficient reasons why contraband has developed greatly.

1483. When all these facilities are taken into account, it ought not to cause surprise that contraband has assumed great proportions in Mexico. The consideration of the facility with which contraband can be done, determined the governments of Mexico to establish various restrictions for the interior commerce of foreign goods with the object of being able to pursue the goods clandestinely introduced. This has caused, that Mexican custom-house legislation has generally had a restrictive character; but, in spite of this, and often grave difficulties of the Mexican revenue, which have been slightly sketched, the said legislation has been partially modified since the year 1867, granting truly notable privileges to foreign commerce. In various paragraphs of this exposition, some of these privileges have been set forth, many of which have been decreed overcoming obstacles and difficulties of magnitude, and even with danger of occasioning grave disturbances.

1484. These very circumstances make it also more difficult, and to a certain point even dangerous, to make modifications, especially of a radical character, in Mexican legislation respecting exterior commerce. Although the present Administration has made some modifications of quotas, by virtue of the power granted to the Executive by the law of December 12th, 1872, it has not, however, believed itself authorized to make a radical reform in the system of import duties, for considerations that will be made potent further on, and it has limited itself up to this time to all the data that may serve to work with the greatest certainty possible, and it has taken care, meanwhile, that a more efficacious vigilance should be exercised to repress smuggling.

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1480. Terms in which the President of the Republic spoke of contraband in his speech of September 16th, 1878
 1481. Subject to be considered in speaking of the facilities which Mexico presents for contraband.
 1482. The geographical situation of Mexico, and the lack of population, offer great facilities for contraband
 1483. Necessity for the reason that fiscal legislation should not be as liberal as could be desired.
 1484. Dangers and difficulties which radical reform of fiscal legislation presents in Mexico.

b. The High Duties of Importation as an Incentive to Contraband.

1485. It cannot be denied that the high rates of import duty constitute a great incentive to smuggling, especially when these fall, as happens in Mexico, on articles of prime necessity. The ordinary cotton goods, the duties on which amount to more than half of the total product of importation, because they are consumed by a large portion of the inhabitants of the country, and come to be articles of prime necessity, pay for import duties quotas that are equivalent to more than 100 per cent. of their value. The profit which the clandestine importation of these articles offers to the contrabandist, and the facilities he finds for making it, counting upon the good will and sympathy of the inhabitants where he does his trade, are so great that the contraband effected with them is considerable, and it really happens sometimes in those cases as the Report says, that is, that in some places goods are sold for almost the value of the import duties.

1486. The Report presents, however, this circumstance as general, or as comprehending various or almost all articles imported to Mexico, when in reality it has only taken place on some occasions, and in certain places respecting ordinary cotton goods, and one or two other articles of merchandise.

1487. At first sight it will appear that the remedy for this evil would be the reduction of import duties, but this means presents in practice difficulties of a very serious character, in view of the peculiar situation Mexico is in, which will be set forth further on.

1488. It is proper, however, to recollect that the incentive of the high duties is only one of the divers inducements there are for carrying on contraband in Mexico, and that it only is so respecting those goods which, besides paying high duties, are of little volume and of easy concealment.

c. Influence of the Revolutions on Contraband.

1489. The fact that the revolutions and political tumults are also one of the most powerful incentives for contraband cannot be denied, not only because the necessity of procuring resources occasions considerable reductions in the duties, but because it facilitates illegal traffic in various other ways.

1490. It is on the Pacific coast that smuggling has assumed its greatest proportions, and where recourse has been had to local disturbances to further it. In another part of this exposition (paragraph 1362), one of the most common methods of doing it has already been indicated. When some contrabandist has expected a valuable cargo, and has not been able to obtain the connivance of the employees of the custom-house, he has promoted a tumult, by suborning the sargents and officials of the garrison, with the object of disembarking his goods in the days of the disturbance, without its being any matter to him the turn political events may take afterwards. In order to demonstrate the relation which contraband holds to local disturbances, it is thought proper to relate a recent fact, for as the object of this exposition is to make known the true situation of Mexico, in all its phases, no attempt is made in it to hide or disfigure any of the incidents, the knowledge of which may be necessary to estimate this situation.

1491. In November, 1871, the port of Mazatlan was occupied by the forces pronounced for the Plan of La Noria, and during that revolution goods were disembarked, the import duties on which amounted to \$574,136 71, some sums of coined silver being exported, the duties on which were \$8,185 88, according to data furnished by the merchants themselves of that port; the import duties appeared ostensibly paid to the revolutionary authorities established in Mazatlan, though there are sufficient reasons for believing that they were not fully paid, or that only an insignificant part of them were paid. The port of Mazatlan being recovered by General Racha in May, 1872, it was ordered, according to the relative circulars of August 25th and October 30th, and to the decree of November 24th, 1871, to close said port to foreign commerce, and to the coasting trade, while it remained occupied by the revolutionary forces, and suspend the payment of duties during that revolutionary state, because the anterior payment was not considered legal; the importers issued notes of hand at four months' sight, in case they were not exempted from payment by the Federal Government. The importers before the conclusion of the term, solicited that they might not be obliged to make the payment; but finally some agreed with the Government to pay a third part of the duties, which was acceded to in equity, making this grace general. When it came to the collection of the third part, the majority of the importers interposed suits of relief, and some one

1485. Incentive which high rates of import duty offer for contraband.

1486. The conception of the Report is not accurate, respecting that all goods imported have this incentive.

1487. Difficulties in the way of a reduction of import duties.

1488. The incentive of the high duties is only so respecting certain merchandise.

1489. Influence of the revolutions on contraband.

1490. Disturbances provoked on the coasts of the Pacific for the purpose of carrying on smuggling.

1491. Events occurred in Mazatlan in November, 1871, during the revolution of La Noria.

was effectively relieved by the District Court of Sinaloa, thus succeeding in evading all immediate payment. The result of these doings was, that the Supreme Court of Justice revoked, May, 1873, the reliefs granted, and by virtue of its decisions, steps were taken to require the total payment, or to receive the $33\frac{1}{2}$ per cent. the said third part from those who resisted. In October, 1873, after having resisted, some of the importers paid the $33\frac{1}{2}$ per cent., and others arranged the payment directly with the Executive, with the exception of one case only, which resisted to the last to pay, and kept on with the affair in the Courts, having obtained a favorable decision at the last instance.

1492. It will be immediately understood how many difficulties the Federal Treasury of Mexico has had to contend with, and also legitimate commerce, on account of the contraband that has been carried on on the Pacific coast, in the manner indicated, and what an influence must the revolutions have upon illegal traffic, for in many cases the contrabandists are the true authors of the political tumults.

C. Manner of Carrying on Contraband in Mexico.

1493. The most easy, and, therefore, the most common mode of smuggling in Mexico, is to introduce the goods clandestinely through the United States frontier, and some through that of Guatemala. It is done, also, by importing them clandestinely by the coasts, or else depositing them at certain convenient points on the coasts, and afterwards carrying them to a port as goods already naturalized.

1495. Rarely, and in exceptional cases, has contraband been done in the few years past, with the cognizance of the employees, and proceedings have always been taken with proper energy to repress the speculation when it has become known.

D. Manner of Remediating Smuggling.

1496. In what has been said, up to this, respecting contraband, several of the means there are for avoiding it have been suggested. Undoubtedly one of the most efficacious would be a considerable reduction in import duties, enough to take away the great incentive it now has in many cases; but this measure presents many inconveniences and dangers, which appear when it is tried to be carried out, some of which will be indicated in continuation.

1497. Another means to which great importance has been given formerly, is the vigilance of the fiscal agents over merchandise in transit in Mexico, in order to be able to pursue that imported clandestinely. In this way the Mexican Government meets with the painful alternative of either granting privileges to foreign commerce, so that goods can travel freely in the interior of the country, without documents or other requisites, which would prove an efficacious mode of legalizing smuggling, for the goods being once introduced through the frontier, or through some port, it could not be ascertained if they had paid the duties of importation, or of establishing onerous restrictions on trade, for the purpose of ascertaining which goods have paid duties and which not, and these restrictions cannot but be a hindrance to the trade in foreign goods, and they present, therefore, some serious inconveniences.

1498. In fact, if it is established that every merchandise coming from a port, or from the frontier, may travel freely in the country, without document or other requisite, contraband operations are sanctioned and legalized most absolutely and completely. And if, on the contrary, it is established that each custom-house must keep an account of everything proceeding from them; that foreign goods must travel with custom-house document; that the permits must be noted at the place of consumption, and returned to the place of procedure, obstacles are established of such magnitude for foreign commerce that it comes to be a veritable difficulty for its enlargement, being, besides, in opposition to the modern system. To some of these difficulties, still subsisting, the Report refers, and presents them as great obstacles to foreign commerce, without recollecting that their principal object is to prevent contraband.

1492. Difficulties the Mexican Government has to contend with, and legitimate commerce, for these reasons.

1493. Contraband is done in Mexico by the coasts, but with greater facility and frequency through the United States frontier.

1494. In the ports the vigilance of the employees is frustrated, particularly in Vera Cruz.

1495. The cases of connivance of the employees are very rare, and every effort is made to repress speculation.

1496. A reduction in import duties as a means to avoid contraband, presents inconveniences.

1497. To remedy contraband, free transit in the country of foreign goods cannot be granted.

1498. Inconveniences presented by free transit, as well as by restrictions to remedy.

E. Difficulties which the Reduction of Import Duties Present.

1499. The difficulties are very great which present themselves in proposing to make a considerable reduction in the import duties on those articles which pay the highest, and particularly if similar articles are manufactured in the country. These difficulties are of various kinds; some spring from the pecuniary situation of the country; others are caused by the foreign importers themselves; and others proceed from the national manufacturers. They will all be spoken of here, briefly and separately, in the following order:

- a. Necessity that the reduction, as a remedy to contraband, should be large, and the consequent danger of reducing the public rents.
- b. Amount of duties caused by the ordinary cotton fabrics.
- c. Experience has demonstrated, in Mexico, that the reduction of duties does not increase the revenue.
- d. Danger of lessening the income during the term granted for the reduction to begin.
- e. Difficulties which foreign importers oppose to the reduction of duties.
- f. Difficulties which national industry presents to reduction of duties.
- g. Reduction of duties decreed by the Mexican Government.

a. Necessity that the Reduction, as a Remedy for Contraband, Should be very large, and the Consequent Danger of Reducing the Public Rents.

1500. It is clear that a medium reduction of import duties would not be efficacious for the object of avoiding contraband, for it is natural to suppose that he does it now to gain 100 per cent., would do it equally to gain 75 or 80 per cent. For the reduction of duties, then, to accomplish the end proposed, it would have to be to a degree sufficient to take away the incentives to fraud, as, for example, 50 or 75 per cent., and in this case it offers the danger of reducing considerably the income of the Federal Treasury, besides the prejudicial influence it would have on the industry of the country.

1501. As the high rates of importation are not the only incentive for smuggling, but there are many other facilities, from the circumstances of the country, which have been already indicated (paragraph 1482), the danger would be run, in making a reduction of duties, even though this were 50 to 75 per cent., of not obtaining the end proposed, because the reduction of duties would not cause to cease the other facilities of contraband, in which case all the dangers of the reduction would be incurred without obtaining its advantages.

1502. If the Mexican Treasury had not the difficulties which oppress it; if it could for a time, and without danger, do without a part of its income; if it could make essays, without exposing itself to grave disturbances, it might have already decreed a reduction on some of the articles of importation, and have known its practical results; but the satisfaction is so difficult, that the bad exit of an essay might seriously compromise the peace and future of the Republic, and before this grave and transcending danger, it appears a temerity to essay means in whose success a full trust cannot be placed.

b. Amount of Duties Caused by the Ordinary Cotton Fabrics.

1503. For the purpose of demonstrating the importance of the duties on ordinary cotton fabrics, most of which are manufactured in the country now, such as coarse, unbleached cotton cloth, cotton prints, &c.; and which are those which appear most urgently to require the reduction, it is proper to state what has been the invoice value, and the amount of duties caused by said articles in three fiscal years, according to the statements formed by Section 5th of this Department, and the summary of which is as follows:

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1499. Difficulties to reducing considerably the import duties on articles heaviest burdened.
 1500. To remove the incentive to smuggling in the high duties, a reduction of 60 or 75 per cent. would be necessary.
 1501. The reduction of 50 or 75 per cent. would not be efficacious, in the existence of other facilities there are for contraband
 1502. The financial situation does not permit essays which might compromise the peace and future of the country.
 1503. Statement showing the importance of the duties caused by cotton fabrics.

Cotton Textures Imported to the Republic during the three Years elapsed from July 1st, 1872, to July 30th, 1875.

	GERMANY.		SPAIN.	
	Invoice value.	Custom-house duties.	Invoice value.	Custom-house duties.
Fiscal year of 1872-3.....	\$749,685 85	\$437,069 85	\$11,898 32	\$11,025 49
“ “ 1873-4.....	1,216,665 37	766,276 32	23,434 79	15,188 85
“ “ 1874-5.....	175,278 07	172,510 87	1,548 13	1,129 45
Totals.....	\$2,141,624 29	\$1,375,857 04	\$36,881 24	\$27,343 79
	FRANCE.		ENGLAND.	
	Invoice value.	Custom-house duties.	Invoice value.	Custom-house duties.
Fiscal year of 1872-3.....	\$354,719 18	\$239,735 03	\$3,522,889 27	\$2,456,248 70
“ “ 1873-4.....	393,834 69	269,277 19	4,144,700 29	2,930,567 99
“ “ 1874-5.....	288,440 87	196,392 94	4,713,513 26	3,399,683 41
Totals.....	\$1,036,994 74	\$705,405 76	\$12,381,101 82	\$8,786,500 10
	UNITED STATES.		SOUTH AMERICA.	
	Invoice value.	Custom-house duties.	Invoice value.	Custom-house duties.
Fiscal year of 1872-3.....	\$1,368,532 28	\$1,245,100 41	\$477,181 61	\$236,219 65
“ “ 1873-4.....	1,427,162 39	1,329,565 98	913,724 54	268,772 64
“ “ 1874-5.....	1,563,342 92	1,606,676 72	46,479 80	51,259 96
Totals.....	\$4,359,037 59	\$4,181,343 11	\$1,407,335 95	\$553,252 25
	TOTALS.			
	Invoice value.	Custom-house duties.		
Fiscal year of 1872-3.....	\$6,454,856 51	\$4,625,399 13		
“ “ 1873-4.....	8,119,522 07	5,576,649 57		
“ “ 1874-5.....	6,788,598 05	5,427,653 35		
Totals.....	\$21,362,976 63	\$15,629,702 05		
Average.....	\$7,120,992 21	\$5,209,900 68		

Section 5.—MEXICO, January 14th, 1879.

J. M. GARMENDIA.

1504. The cottons comprehended in the preceding statement are those enumerated in the fractions from 4 to 7, 10, 19 and 20; from 25 to 27; from 30 to 33; from 39 to 45; from 47 to 49; from 52 to 57, 61, 62 and 66, of the 18th Article of the Tariff of January 1st, 1872.

1505. When it is taken into account that the total of the import duties in each one of the three years to which the preceding statement refers, amounts to only a little more than \$9,000,000, on the average, and that the duties on cotton fabrics, comprised in the statement, amount to \$5,209,900 68, on the average, in each one of the same three years, it will be seen that the fabrics alone represent nearly 57 per cent. of the total importation, and that, therefore, any reduction in said duties, would involve serious consequences to the Treasury. This ob-

1504. Paragraphs of the existing tariff imposing duties on cottons, mentioned in the foregoing table.

1505. Transcendental consequence of reducing import duties on cottons.

servation becomes more forcible, if the duties on all the articles are considered, which our tariff comprises, under the chapter on cottons, from fraction 1st to the 66th, and whose products have been as follows :

In the fiscal year of 1872-3.....	\$4,992,003 53
" " " " " 1873-4.....	6,002,759 46
" " " " " 1874-5.....	5,800,468 17
Total.....	\$16,795,231 16
Average per year.....	\$5,598,410 38

The total of import duties during the same period was as follows :

In the fiscal year of 1872-3.....	\$8,128,346 01
" " " " " 1873-4.....	10,354,158 85
" " " " " 1874-5.....	9,200,033 06
Total.....	\$27,682,537 92
Average per year.....	\$9,227,512 64

The import duty on cottons, then, is equal to $60\frac{87}{100}$ per cent. on the total amount of import duty in the three years stated.

c. Experience has Demonstrated in Mexico that Reduction of Import Duties does not Increase the Revenue.

1506. There is, besides, in Mexico, the antecedent, that when at one time the import duties were reduced, precisely for the purpose of preventing smuggling, by issuing the tariff of April 30th, 1842, with relatively low duties, the result expected, was not obtained, for the income was less in the year following than in the year preceding, and the high duties had to be re-established in the tariff of September 26th, 1843. This precedent, which cannot be forgotten, in treating of a question which greatly effects the principal interests of the country, causes us to fear greatly that reduction under present circumstances would not produce the desired result.

1507. The importance of this incident makes it opportune to state here what then took place, taking it from the Treasury records of that period. Sr. Ignacio Trigueros said in his Record of the Treasury of January 31st, 1844, in reference to the tariff of April 30th, 1842, which lowered the import duties, as follows :

" These (the pending mercantile speculations) demanded incessantly of the Government relief in the duties of the tariff, attributing to the high rate of these the failing state in which they found themselves, and asking for the reform of the decree of March 11th, 1837.

" The President recommended this delicate matter to the consideration and examination of a committee, which, re-uniting as great a collection of information and interests as could be found, should advise the modifications which the said tariff needed, and after a thorough discussion, presided by good faith and a sincere desire of the truth, the result was, after some variations, that the project was received the decree of April 30th, 1842 ; in this, the import duties were fixed at 25 per cent. Those precautions and trammels which, without producing much result, occasioned annoyance, delays and vexations to importers were taken away, the tariff was put in harmony, as it appeared, with the requirements of trade ; the terms of payment were amplified ; the basis of the invoice prices for the collection of duties on effects not expressed in it was preserved, and privileges were granted for the saving of the innocent, the latter being able to correct his invoice within the time provided for its presentation ; finally, the Executive reserved powers to decide definitely on the doubts which might arise on the points expressed in the additional Article 195.

" The deference of the President on making these concessions, and even the preservation of their force and vigor, depended upon the use of this grace ; if by it, under the incentive of low duties, the firms had increased their importations without diminishing the income of the Treasury, the larger amount of goods and their reduction in price would facilitate their acquisition to the consumer ; but when the speculations undertaken did not correspond to their hopes, nor reveal much difference, the reduction of income followed upon that of duties. The lesson given by experience on this occasion, although it is not of such a nature as to contradict the axiom that the reduction of duty increases the income of the Treasury ; in consequence, however, of the supply which was undoubtedly introduced clandestinely, there was no great or urgent lack suffered in the market, and this is undoubtedly the cause that there were not the increased number of importations at the ports that were expected.

1506. Experience has demonstrated that in Mexico the reduction of duties of importation diminishes the income.

1507. Fragment of the Treasury Record of December 26th, 1844, on the reduction of import duties.

Perhaps, in time, contraband being banished, and therefore, this decree put in practice, its dispositions would have moralized the provision, and have given society large profits; but the deficit which the public funds suffered, commenced immediately to claim new provisions. It became necessary to make new investigations, and to make the commissions the same to the commanding revenue officers of the maritime custom-houses of the first class, that they might support each other and have the corresponding stimulus, extension of time was granted, that it might be carried into effect; a multitude of rigorous provisions were decreed, and circumstances very notorious occasioned the increase of duties on various cotton fabrics, in order to form, with the difference, a fund which should serve to further the branches of industry and mining."

1508. In reference to the tariff of September 26th, 1843, which again raised the import duties, Sr. Trigueros said in the Treasury record referred, to as follows:

"Since the particular modifications which were made in the tariff were not sufficient to fill the needs which experience had been discovering, it was necessary, on compelling them to make a general reform, by which the payment of duties by invoice value was suppressed, making a more extensive nomenclature, and re-establishing appraisements; the additional article was suppressed, because of the compromises in which it might place the Government, and because treating of points of fact, it is within the reach of malice to invest them with more or less appearances of truth, attempting contraband by the most infamous and barefaced means, to present them in case of necessity as a proof of innocence, which can, sometimes, only be properly judged of in a process of law; the prohibition on cottons was extended to the brown twilled fabrics and to the mixed and marbled, or stamped, fabrics, in imitation of 'rebozos,' on account of the rascality with which they had begun to defeat both prohibitions, which form a part of the foundations of our growing and peculiar industry; and, lastly, the meaning of some articles was fixed, whose dispositions appeared forgotten, or had an interpretation, perhaps, contrary to their object, and new precautions have been established for consular certificates.

"To all this, tends the Second Tariff, published October 5th, of the past year; but notwithstanding the careful attention, it is very far from supposing that it is free from defects, because I lack exact notices of consumption, and all the statistical facts which ought to be consulted, for the intricate combination with which true industry is indirectly forwarded, prohibiting what is made in the country, and does not need to be supplemented by the entry of more; taxing what might be about to be produced and relieving prime materials. It is impossible to determine exactly in so complicated a combination, which struggles with individual interest, so fruitful in evasions, but though the President cannot flatter himself of having hit the nail on the head, he can of having put in train the means for the future."

d. Danger of Reduction of the Income During the Time Granted for the Reduction.

1509. It must be borne in mind, besides, that, according to the practice adopted by the Mexican Government, with the object of not prejudicing the importers who had paid the duties on their effects, a time must be fixed of at least four months before said reduction of duties should commence to take effect, thus giving time to those who had paid full duty to realize on their goods, before the reduction should occasion a large fall in the price of these, and hence a heavy loss to the importers.

1510. The necessary consequence of this grace would be that during the time it lasted, not a single piece of cotton fabrics would be again imported, for nobody would wish to pay the high duties, when they could pay the reduced ones by only deferring their importations for three or four months. The Federal Treasury would then be deprived of one of its principal revenues for the term of three or four months, and its situation is so critical that it is not considered prudent to expose it to the dangers that might result from that suspension.

e. Difficulties that Foreign Importers Oppose to the Reduction of Duties.

1511. For reasons easy of comprehension, some importers of foreign goods in Mexico resist the reduction of import duties. Various merchants of Chihuahua having solicited, on May 29th, 1878, a reduction of 50 per cent. in the duties on cotton fabrics, because otherwise they did not believe it possible to compete with the clandestine importation carried on through the United States frontier, the general trade of the country was consulted by the Treasury Department in a circular, No. 93, of July 20th, 1878, respecting the convenience of adopting that measure.

1508. Allusion made by the same Treasury Record to the tariff of September 26th, 1843.

1509. In order not to prejudice importers, a term would have to be fixed for the reduction of duties.

1510. Diminution of the income of the Treasury during the grace conceded for the reduction of duties.

1511. Circular No. 97, of July 20th, 1878, consulted commerce on the convenience of a reduction of duty.

1512. The inquiries addressed to the commerce of the country in the said circular, are as follows :

"1st. Could a reduction be made in the quotas of import duty paid on 'mantas' and common Indianas, without ruining the manufactures of those articles in the country?

"2d. In this case, what is the reduction that can be made?

"3d. What is the quantity of 'manta' or common Indiana produced from your manufactory annually, and what are the prices at which each one of those articles are sold?

"4th. What quantities of 'manta' or common Indiana are produced annually from the other manufactories in that State?

"5th. What influence on your industry is obtained by contraband from the norther frontier?

"The President hopes you will be pleased to inform on these points, thus contributing to the clearing up and correct resolution of this matter of general interest."

1513. This circumstance caused many importers to believe that it was proposed to make an immediate reduction of the import duties on the said articles, and, being alarmed for this reason, they addressed an exposition to the Treasury Department, August 16th, 1878, soliciting that this reduction might not be made, or in case of its being made, that a long grace might be given before it went into effect.

1514. This incident caused so much alarm that it made the Executive fear that, becoming spread among the importers, it would determine these to suspend their orders for foreign goods, occasioning, thereby, to the Treasury the inconvenience of a considerable reduction in the import duties, wherefore it esteemed it proper to give the assurance, compatible with its duties and the situation of the country, that no radical changes would be made right away in the fiscal legislation, which could injure legitimate established interests, and thus it did, by means of a communication, dated August 24th, which was published in the *Diario Oficial* of the 28th of the same month.

1515. This very incident determined the Treasury Department to enter into some consultations with the principal merchants of this capital, from which resulted the suggestion of the importers to put a moderate tax on the Mexican fabrics of cotton and of wool. The said importers manifested that, in consequence of the high duties that foreign prints were paying, the manufacture of those stuffs in the country is extraordinarily lucrative, wherefore the manufactories of prints were increasing considerably, and consequently their production; that this would cause, before long, a considerable reduction in the proceeds of the maritime custom-houses, because the introduction of foreign prints would diminish in proportion, and the Federal Treasury could not indemnify itself for the sums it would cease to receive without taxing the national manufactures with the following quotas :

Woven domestic, gross weight.....	10	cents	per	lb.
Cotton yarn.....	6	"	"	"
Prints.....	20	"	"	"
or 10 cents per lb on the domestic and 10 cents on the printing of each lb.				
Woolen fabrics, cassimeres and cloth.....	15	"	"	"
Baize.....	10	"	"	"
Woolen yarn.....	15	"	"	"

1516. The Executive, desiring to hear the opinion of the merchants and of the manufacturers of the country respecting this suggestion, addressed them with this object by means of a circular of this Department, No. 106, of August 24th, 1878, which will be spoken of again further on, indicating the result it gave.

f. Difficulties which National Industry presents to the Reduction of Duties.

1517. The high rates of duty on ordinary cotton fabrics have constituted an important premium in favor of the fabrication of those goods in the country, and this indirectly, as has just been indicated, has assumed great

1512. Text of the inquiries addressed to the commerce of the country in the circular of July 20th, 1878.

1513. Solicitude of some importers, that in case of the reduction being made it should not be done immediately.

1514. Communication of the Treasury Department assuring that the reduction of import duties should not be made right away.

1515. Proposition of the principal importers of Mexico to tax Mexican cotton and woolen fabrics.

1516. Circular No. 106 of August 24th, 1878, consulting the opinion of the merchants and manufacturers of the country.

1517. The sudden abatement of import duties would cause evils that ought to be avoided.

proportions. It would not be prudent in any case to make a sudden reduction of those duties which would rebound to the grave injury of capital invested in that industry, for this would cause evils and disturbances that ought to be avoided.

1518. But it happens frequently that he who has a lucrative business already established looks with suspicion upon any measure that may somewhat reduce his profits, and is alarmed, or feigns to be so, when anything is suggested in this direction, though it do not produce the result of ruining his industry, but only of reducing his profits. Consequently as soon any reduction in the duties on ordinary cotton fabrics is projected, this would have the most decided opposition on the part of the Mexican manufacturers, who count upon sufficient elements to do it, and they would present the reduction of duties as wounding to the death national industry, affirming that they could not compete with foreign goods, the price of these being once reduced by the abatement of duties.

1519. In consequence of the suggestion made by the importers of this capital with the motive that was shortly stated (paragraph 1515), and the Executive desiring to obtain exact data respecting this suggestion, and to hear the opinion of the country on the convenience or inconvenience of accepting it, addressed, by means of a circulator of this Department, No. 106, of August 24th, 1878, the merchants, producers, business men and distinguished persons of the nation, asking them for data on this subject, and their opinions respecting the same. The text of this circular, which expresses exactly the idea of the Executive regarding the subject to which it refers, is as follows :

“ Department of State for the Finances and Public Credit. Section 1st, Circular 106 :

“ I enclose to you copies of some notes furnished to this Department, with the object of proving the propriety of establishing a duty on national domestics (mantas), prints and yarn.

“ The President of the Republic, desiring that these grave, economic questions should be attentively studied before dictating any order respecting them, recommends that you will be pleased to give him your opinion, both as regards the accuracy of the data comprised in the adjoining notes, as well as the convenience or inconvenience of adopting the measures which are proposed in them.

“ MEXICO, August 24th, 1878.

“ ROMERO.—To the . . . ”

1520. The desire of the Executive to inform its mind on so delicate a question, and to obtain accurate data, which might serve it for a basis for its subsequent operations, expressed in terms so clear and precise as those of the preceding circular, alarmed the national manufacturers beyond measure, many of whom tried to present the conduct of the Executive as if it had already the preconceived design of inter-taxing heavily the national fabrics and prints, favoring, at the same time, foreign goods of this kind.

1521. If this was done when the importers proposed a quota of 50 cents per piece on national prints, it is easily understood what would be the efforts the national manufacturers would make the day it should be proposed to reduce one-half, or perhaps more, the import duties which foreign prints now pay.

1522. After this, and under date of December 12th, 1878, the Executive presented to the Chamber of Deputies through this Department, an invitation, in which was advised a revenue impost at the rate of five cents for each piece of domestics, and every kind of national cotton fabrics, of 30 metres long and one metre wide, and eight cents per piece of foreign cotton, and this moderate quota was received as a terrible exaction, which demonstrates very clearly the feeling of the national manufacturers on this point, and shows the resistance that would oppose the abatement of the duties on ordinary cotton fabrics.

g. Reduction of Duties Decreed by the Mexican Government.

1523. Whenever the Executive has considered it advisable, it has, in exercise of the powers granted it by the law of December 12th, 1872, lowered the import duties on articles which, by not being of large consumption, whatever might be the result of the abatement, would not seriously affect the interests of the Treasury or of national industry.

1518. The manufacturers of the country are opposed to the reduction of quotas, maintaining that they would not be able to compete with the foreigner

1519. Text of the circular of August 24th, 1878, in which the idea was moved of taking national manufactures.

1520. The manufacturers of the country were alarmed at the advice contained in the circular of August 24th, 1878.

1521. The resistance of the manufacturers would be greater if a reduction should be proposed in the quotas of prints.

1522. The moderate stamp duty on domestics and Indianas has been fought by the manufactuers.

1523. Reduction of quotas on articles which do not effect the interest of the Treasury or of national industry.

1524. Mention has already been made of the reduction on tobacco from the United States, decreed June 12th, 1878, abating the duty from \$1 25 to 16 cents per kilogramme, net. The import duty on cinnamon and tea was also reduced considerably; reducing the first by the decree of April 12th, 1878, from \$2 40 to \$1 per kilogramme, net; and the second by the decree of May 28th, 1878, from \$1 67 to 75 cents per kilogramme, net. The quotas on linen pocket handkerchiefs and cotton ones were reduced considerably by the decree of July 30th, 1878.

1525. It is seen, then, that whenever there has not been insuperable difficulties, great reduction in import duties have been made on some of the articles that were heaviest taxed. In other cases other goods have been declared free of duty. If the result of these reductions should be satisfactory, it will serve as an incentive to decree others, and to destroy the impression left of the essay made in the tariff of April 30th, 1842, already alluded to (paragraph 1506).

2. WAY IN WHICH CONTRABAND AFFECTS THE COMMERCIAL RELATIONS BETWEEN MEXICO AND THE UNITED STATES.

1526. In reference to the manner in which the contraband carried on in Mexico affects the enlargement of commerce with the United States, the Report says as follows:

"The effect can be seen at once, which this state of things must produce on the legitimate merchants and on the *morale* of commerce in general, as well as the disadvantage under which it places honorable importers, respecting the traders without conscience, who soon become expert in the art of entering into arrangements with custom-house employees, or in deceiving these or frustrating the revenue guard. The friendship that binds me to many of the Chicago merchants obliges me to repeat here the opinion I have expressed, that they could not successfully compete with this illicit traffic.

"What I have written may, to a certain degree, explain the 'astonishing fact,' to which Mr. Zamacona refers in his speech, that, whilst the spirit of enterprise of the American merchants carries our trade to the distant Indies and to Australia, and whilst it invades the republics of South America, Mexico is passed by unperceived. This was for me, also, an inexplicable fact, until a more intimate knowledge of the condition, legislation and mercantile practices of this country made me acquainted with the inconveniences, which I have partly explained."

1527. From the terms expressed in the Report, on treating of the question of contraband done in Mexico it is deduced that it considers that evil as a serious obstacle to the establishment of an active commerce between Mexico and the United States. This conception is wanting in accuracy, whether the trade in North American goods be legal without exception, or whether clandestine introductions are made. Each of these two cases will be specially considered.

A. Legal Trade of the United States with Mexico.

1528. In the case, which is to be hoped for, that the trade from the United States should be legal, it could be proved that the greater part of the importations made to Mexico, according to law, consist precisely in those articles which, by their high duties and little bulk, offer the greatest facility and incentive to defraud the revenue. If, then, European merchants can carry on a legal trade even on those goods, it is not conceived why the United States merchants cannot do the same. Undoubtedly, contraband injures legal importation; but it does not influence this in so decided a manner, that it is an absolute impediment to legal trade, as the fact demonstrates that, in spite of smuggling, the ordinary cotton fabrics produce more than half of the revenue of the maritime custom-houses.

1529. If the goods which offer the greatest incentive and most facilities for contraband, are imported legally by European merchants, with more reason all the others, which, by having lower duties and being bulky, present fewer incentives and facilities for smuggling, are imported in the same way; and if the European merchants can make those operations with advantage, it cannot be comprehended why the United States merchants cannot do it equally as well.

1524. Reduction of import duties on various articles

1525. If the result of that reduction should be satisfactory, it will serve as an incentive to decree others.

1526. Estimates of the Report on the manner in which contraband effects the commerce of Mexico with the United States.

1527. The conception of the Report is inaccurate that American commerce cannot compete in Mexico with European.

1528. The contraband done in Mexico is not an absolute impediment to legal trade.

1529. American merchants can carry on a legal trade with the same success as the Europeans.

1530. The contraband carried on in Mexico should not be considered, then, as one of the causes which prevent the growth of trade with the United States. These have, in all respects, greater natural elements than the European nations for producing the principal articles of our consumption, at a low price. Hence, freight on American goods ought to be less than on European, for the reason that the distance is much less. Regarding the ordinary cotton goods, it cannot be understood, either, how it is, that the United States, producing cotton, possessing skillful operatives and large capital, having made great advances in the manufacture of this kind of goods, and the distance from Boston or New York to Vera Cruz being less than from this port to Liverpool or Manchester, they cannot compete with English production, when the English have to carry the raw material from the United States to Great Britain, paying sea freight for a long distance, and having to return, afterwards, the manufactured cotton, passing again across the Atlantic, with the tax of new freight, insurance, &c.

1531. Examining all the special circumstances which pertain to the production of manufactured articles and their consumption in Mexico, it is clearly seen that United States commerce must have a great increase in Mexico, and that all that is needed is the special study by the United States merchants of the circumstances of this country; for once being known and properly appreciated by them, the small difficulties which present themselves to attain the development of that commerce would be easily overcome.

B. Clandestine Introduction of Goods Proceeding from the United States.

1532. It cannot be supposed that the United States favor contraband in Mexico, nor that they desire to compete in it with other nations; but there are, unfortunately, some merchants residing on North American territory who devote themselves to that illegal traffic, and improve every opportunity that presents itself to do it.

1533. In the matter, then, of clandestine introductions, the vast extent of our unpopulated frontier presents a much greater facility to frustrate the vigilance of the Mexican fiscal agents than the coasts which serve for communication with the European nations, and which, also, the United States merchants can avail themselves of. The information given, at a very recent period, of a large quantity of goods introduced clandestinely through the northern frontier, and the provisions which had to be enacted to repress that contraband, among which must be mentioned, in the first place, the decree of August 8th, 1878, are a proof that not only do the North American merchants compete with the European in illegal traffic, but that they improve every facility they have for doing it. The Report itself acknowledges that such contraband has been carried on, and is carried on, on a large scale, on our frontier with the United States.

1534. Moreover, all the considerations that have just been set forth to demonstrate that the United States can compete in Mexico with European contrabandists by carrying on legal commerce, are applicable, and with greater force, to the carrying on of clandestine trade by North American merchants.

3. SUMMARY OF FACTS IN RELATION TO THE CONTRABAND QUESTION IN MEXICO.

1535. From what has been stated up to this point, with relation to the contraband carried on in Mexico, the following facts appear to be demonstrated:

1st. That in consequence of the great facilities Mexico presents for contraband, from the extended and unpopulated character of its frontiers and coasts, this has always been done on a large scale, and greater in former periods than in the present.

2d. That the amount of smuggling done in Mexico can be estimated, approximately, at from \$3,000,000 to \$4,000,000 per annum, which comes to represent a considerable part of the import duties collected in the country.

3d. That the high rates of import duties recovered in Mexico is one of the principal incentives to the smuggling of certain goods, because it offers large profits.

4th. That the revolutions and tumults that Mexico has suffered are also another great incentive to contraband, and that the latter has come, in some cases, to promote disturbances on the Pacific coast, with no other design than to favor the illegal importation of foreign goods.

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- 1530. The smuggling done in Mexico is not the cause that prevents the growth of trade with the United States.
 - 1531. The commerce between Mexico and the United States is susceptible of a great development.
 - 1532. Consideration of the illegal traffic between the United States and Mexico.
 - 1533. Contraband carried on on a large scale through our United States frontier.
 - 1534. American merchants can compete in smuggling and in legitimate trade with the Europeans.
 - 1535. Summary of facts in relation to the contraband question in Mexico.

5th. That in spite of the determination of the constituted governments to repress the contraband, occasioned by the revolution in some cases, like that which occurred in Mazatlan in January, 1872, the payment of duties could not be effected, and a considerable quantity of foreign goods entered without paying import duties, either to the Federal Treasury or to the revolutionists of the Plan of La Noria.

6th. That one of the means that have been found to avoid contraband is the efficient vigilance over foreign goods in transit through the Republic, to be assured, whether they have paid or not their import dues; but that this measure has the inconvenience that it establishes onerous restrictions for interior commerce.

7th. That long periods having elapsed, from 1867 to date, in which the country has enjoyed peace, the incentive to contraband which disturbances offer has, therefore, during those periods, ceased to obtain.

8th. That the reduction of import duties on articles which now pay high, offers grave difficulties in practice, above all, because it would paralyze for some months the operations of importation, and the state of the Mexican treasury does not permit it to be exposed to that paralyzation.

9th. That for the abatement of duties to be effective, it would be necessary to remove all incentives to contraband, and for this the quotas of importation would have to be reduced to such a degree that the danger will be run of obtaining less revenue from them than now, which is another danger of grave import for the country in the difficult circumstances of its treasury, for it must be borne in mind that the import duties represent at present two-thirds of the proceeds of the Federal rents.

10th. That a considerable reduction of import duties on articles of larger consumption in Mexico, and particularly on the ordinary cotton fabrics, would probably bring with it grave injuries to the manufacturers of those articles, established in the country, which it is proper to avoid.

11th. That the national manufacturers of cotton fabrics, fearing this reduction and its consequences, resist it decidedly, and their resistance presents grave difficulties to carrying it out.

12th. That by special circumstances the foreign importers in Mexico resist equally the reduction of import duties on foreign goods, which constitutes another difficulty to carrying it out.

13th. That contraband, with all its conveniences, has not been sufficient to diminish foreign commerce in Mexico, but this has gradually progressed, though slowly, and that, therefore, neither can it be contraband that becomes in Mexico an obstacle for the development of its commerce with the United States; above all, if it is taken into account that the greater part of the contraband is done through our United States frontier.

14th. That, if the North American merchants who trade with Mexico carry on smuggling, they have more facilities than the Europeans for carrying it out, from the circumstance of being able to make of the frontier between the two countries a basis of their operations, and if they do not do it, there are many articles whose duties are relatively low, and with which they could carry on a trade without fear of contraband.

15th. That legal importations of foreign goods paying high duty being made by European merchants, it is not understood why United States merchants cannot do likewise.

16th. That even though it were not possible for North American merchants to carry on trade in those goods, there are many other articles, some of which are produced cheaply and of good quality, which have relatively low duties, and respecting which contraband can be no hindrance.

17th. That the United States has such advantageous conditions for commerce with Mexico over European nations, that they can compete easily with them, in the articles imported in contraband, and in legitimate trade as well.

18th. That the proximity of the United States to Mexico, the circumstance of producing prime materials, and some manufactured articles, the perfection of their machinery and the accumulation of large capital, give to the United States great advantages to make of Mexico the natural market for their manufactures.

19th. That, therefore, all the inconveniences mentioned in the Report, and especially those which refer to the contraband carried on in Mexico, are not sufficient to impede the development of commerce between the two countries, if there is any intention on the part of the United States to further that commerce.

CONCLUSION.

1536. The Report, after having occupied itself with the three points into which it is divided, and which have already been considered at length in this exposition, terminates by stating, that the citizens of the United States will not come to enlarge their commerce with Mexico, except when this country modifies its fiscal legislation and its habits, in the sense indicated by the Report.

1537. In reference to this subject, the Report says as follows :

“But commerce, like the human being that directs it, is susceptible to temptation, and, although it frequently triumphs over difficulties, it prefers to accept better offers and less venturesome enterprises. Mexico is our natural market, and the two countries ought to hold the most intimate commercial relations. Our merchants, however, will continue seeking other markets beyond the Equator and on the other side of the world, unless that Mexico be willing, 1st, to make its legislation more liberal, and to re-establish its credit, so as to make possible direct communication by means of a railway ; 2d, to modify its tariff and interior regulations on commerce ; and, 3d, to maintain a stable government that shall give security and protection to life and property. When this takes place, an unexampled era of prosperity and development will shine upon this beautiful land, and the two republics will be bound in the indestructible ties of a social and mercantile reciprocity, which will not permit the interruption of peace between them or endanger their territorial integrity. At the same time that I have set forth the obstacles there are to a commerce on a large scale with this country, I ought to add that there still exists a field, though limited, which American merchants and manufacturers can improve. The list of goods free of duty in Mexico puts them in a position to import machinery and agricultural instruments, and in the extent of consumption which these articles have, our importers can compete successfully with the Europeans.”

1538. The Report, however, not being able to ignore the fact, that in spite of the difficulties it mentions, for the increase of commerce between Mexico and the United States, such commerce exists and is susceptible of increase, even without changing the circumstances that now exist in this country, and which it presents as obstacles to the increase of traffic, states that the list of free articles in our tariff puts the United States merchants in a position to make lucrative importations to Mexico, and adds that there are other articles whose duties are not so high as to impede their importation.

1539. In reference to this subject the Report says, as follows :

“A careful examination of the Mexican tariff will demonstrate the articles that can be introduced to advantage, and even those which, from the high duties they are burdened with, are converted into articles of luxury for this market, can be sold on a limited scale. And I consider it entirely practicable and safe for American manufacturers to combine their efforts in other branches, and to establish warehouses in this city, for the exhibition and sale of the products of their factories.

“In this way the merchants and local consumers would have a chance to judge, practically, of American goods, introducing, gradually, their sale, until a permanent market is formed.”

1540. Although a certain contradiction might be found between the final conceptions of the Report that have just been inserted, and the absolute asseveration respecting the almost insuperable difficulties that exist for the increase of commerce between Mexico and the United States, while the present circumstances and fiscal legislation of the country subsist, it appears preferable not to take this explication, except as an exception to the general rule established in the preceding passages.

1536. Necessary conditions, according to the Report, for the increase of commerce between Mexico and the United States.

1537. Text of the Report on this point.

1538. The Report recognizes that, to a certain extent, the American commerce can compete with the European in Mexico.

1539. Passage of the Report relative to this point.

1540. Character with which the explanations of the Report is considered on this same point.

1541. Under this aspect the Report comes to agree substantially with various of the capital points sustained in this exposition respecting that a great increase of the commerce between the two countries is possible, even without necessity of radically and suddenly changing the present conditions of the nation, and without the necessity of making radical modifications in the laws in force respecting import trade.

1542. It has been demonstrated in this work, that in spite of the poverty of its treasury, Mexico subsidizes five lines of North American steamers, which put its ports in communication with those of the United States, and which by themselves alone can make a commerce of importance. In spite of the sad experience Mexico has had on account of the concessions made to citizens of the United States, and notwithstanding that none of these have been realized, a considerable number have been granted to them for the building of railways in Mexico, and particularly of lines for putting it in communication with the United States. Notwithstanding that, Mexico inherited all the economic errors of the Spanish exclusive system, and that its peculiar circumstances do not permit it to modify radically and in a liberal sense its fiscal legislation, it has made important reforms in it, and is making it every day more liberal. Notwithstanding that mining has suffered burdens which are a great obstacle to its development, important privileges have been granted it, and its products have not largely increased, as was to be desired, neither have they decreased, compared with the years of greatest prosperity. Notwithstanding that, unfortunately there are some cases of attempts against the life and property of persons living in Mexico, they are not more frequent, nor are they of such a character, that they cause any real insecurity, wherefore they have not sensibly affected the exterior commerce of Mexico. Notwithstanding that smuggling always has been, and still is, done in Mexico, this is not of such proportions that it is an absolute impediment to the carrying on of legimitatetrade in this country.

1543. The grave questions that have been treated in this exposition, with all the conciseness that is compatible with their importance, and with the necessity of presenting them clearly, demonstrate that the conceptions of the Report are unfounded in estimating as almost insuperable the difficulties there are for the enlargement of commerce between Mexico and the United States, and that this important object can be attained in benefit of both countries, even without the necessity of carrying out all the political, economic, social and mercantile reforms the Report suggests, and many of which are undoubtedly very convenient for the progress of this country, and will be reached before, in spite of the obstacles which now present themselves, if the great and constant efforts of the country continue in improving its social, political and economic conditions, with a success which cannot be despised, comparing the starting point with the state at which it has arrived.

1544. Commerce between Mexico and the United States has a great future. As long as there are in Mexico towns not united by railways; lands that are not worked with modern machines and agricultural instruments; mines that are not worked with machinery and processes of new invention; inhabitants that are not comfortably dressed, and houses that have not the conveniences of life, it is clear that this country offers a very extensive field for the industry and commerce of the United States, where the spirit of enterprise of the neighboring republic can be put in practice to convert the vast extent of Mexican territory into a great centre of consumption.

1545. Even though, as a general rule, a country cannot import more than its exports, for it would not have wherewith to pay the excess of importations, Mexico may be considered to be an exception to this rule, for its elements of wealth are such that, if there should come to be established a great consumption of foreign goods, the importers would find the way of furthering the exportation of many articles that could be exported advantageously, for the purpose of paying their importations with them.

1546. The belief that the United States can develop a great commerce with Mexico appears to be gaining strength now in the United States. It is a motive of satisfaction to the Executive, and to the Mexican nation in general, to note that the statesmen of the United States are beginning to fix their attention on the propriety of enlarging their commerce with Mexico. The position of this country, the most immediate to the United States of all those situated on the American continent, excepting only Canada, the circumstance of being able to produce the tropical fruits and prime materials of great consumption in the United States, and the facility for consuming here many of the North American manufactures, make it possible to establish between the two countries a reciprocal commerce of great magnitude, with positive profit to the inhabitants of both, and in the cause of the civilization, the friendship and good relations between the two Republics.

1541. The Report substantially agrees that the commerce of both countries is susceptible of an increase.

1542. Condition of Mexico; its efforts to improve, socially it politically and economically.

1543. There are no insuperable difficulties to the enlargement of commerce between Mexico and the United States.

1544. Circumstances which offer a great future for the commerce between the two countries.

1545. Advantages which the elements of wealth of Mexico offer for the commerce of importation.

1546. The United States begin to fix upon the possibility of enlarging their commerce with Mexico.

1547. The desire of promoting this result, by dissipating some of the errors and prejudices that prevail abroad, and which contribute in a great measure to make it difficult, and have retarded it up to this time, and the propriety of setting forth the difficulties with which Mexico is struggling in order to attain that object, to the end that their study and examination may contribute to overcome them, are powerful motives which have determined the Executive to prepare this exposition. It would remain fully satisfied with its work, and it would consider itself amply recompensed for the labors it has had to undertake to carry it through, if it could in any way contribute to the realization of the object indicated.

1548. It is proper to state that, without underrating at all the interest which Mexico has in preserving and enlarging its commercial relations with various European nation with which it is now trading, that interest is greater regarding the United States, and that neighboring nation being more interested than any of the European nations in the material development of Mexico, because it would be the most favored by that development, Mexico has reason to hope that the United States will contribute more efficaciously to attain that important object than any of the European nations, which are situated at great distances and which never could obtain the direct and immediate advantages which the United States would derive from the prosperity of Mexico.

1549. The Mexican Government believes, moreover, that the development of the elements of wealth of this country being once obtained, it would facilitate the pacific and friendly solution of pending questions, and of those that might arise in the future, between the two nations, and which might otherwise endanger their good relations and their most important interests.

1550. Mexico considers, therefore, that it is its duty and of great public convenience to promote the enlargement of its commercial relations with the United States, as well because it hopes that that nation will contribute in an efficacious manner to promote the development of the elements of wealth of this country, from its being an object of mutual convenience to both nations, as that it believes that in this way questions and complications in the future will be avoided which might endanger its dearest interests.

1551. In the course of this exposition it has been especially studied not to present any of the present conditions of Mexico, whether favorable or adverse, under an aspect that is not entirely accurate. To the degree, then, that it has not tried to conceal or dissimulate the evils this country is suffering, and which are an obstacle to its material progress, neither has it attempted to exaggerate any of its favorable conditions for trade, for it has believed sincerity and good faith to be an essential requisite for this work to attain the object for which it is intended.

1552. It is possible that some error may have been incurred, from the questions touched upon in it having been manifold, very complex and difficult; but if this should have happened, it is to be believed that such error is not substantial, and at all events the Executive would be disposed to amend or rectify it as soon as it should be shown; for in a work destined, among other things, to rectify the errors that prevail abroad respecting Mexico, it would not be well to set forth errors, even though they should be of less magnitude and importance than those which it has been endeavored to rectify.

1553. This statement of the ideas of the Executive, and of the object proposed upon undertaking this work, being made, there remains nothing more except to express the hope that the ends which have been indicated may be attained, and that the nation and its public men, persevering in the road of social reform and of progress which they have pursued, and studying the various questions whose solution is convenient for the attainment of the said ends, such solution may be facilitated, and that in a short time there may be brought about the realization of the objects proposed.

ROMERO.

MEXICO, January 15th, 1879.

To the Chief Officer in charge of the Office of the Department of Foreign Affairs. Present.

1547. Motives which determined the Executive to prepare this exposition.

1548. No nation would obtain greater and more immediate advantages from the prosperity of Mexico than the United States.

1549. The development of the elements of Mexico would be a guarantee for its relations with the United States.

1550. The enlargement of commerce between the two countries is of transcending public importance.

1551. Sincerity and accuracy of the statement contained in this exposition.

1552. This work may have some unsubstantial errors which the Executive would be disposed to rectify.

1553. The Executive desires that the results may be attained which have been referred to in this exposition.

